Knowledge Acquisition from Foreign Parents in International Joint Ventures in Vietnam

Thesis

presented to the Faculty of Economics and Social Sciences
at the University of Fribourg (Switzerland)
in fulfillment of the requirements for the degree of
Doctor of Economics and Social Sciences

by

Thi Thuc Anh PHAN

from Vietnam

Accepted by the Faculty of Economics and Social Sciences on June 5th, 2007
at the proposal of
Prof. Dr. Rudolf Grünig (First Advisor)
and
Prof. Dr. Bernd Helmig (Second Advisor)

Fribourg, Switzerland
2007

The Faculty of Economics and Social Sciences at the University of Fribourg neither approves nor disapproves the opinions expressed in a doctoral thesis. They are to be considered those of the author (Decision of the Faculty Council of 23 January 1990).

To my loving husband, Dinh Van Dzung
and my beloved daughters, Dinh Hai Bao Lien and Dinh Thao Vy

Acknowledgements

My thesis could not be completed without the help of many people to whom I wish to express my thankfulness.

First, I would like to express my sincere gratitude to my first advisor, Prof. Dr. R. Grünig for accepting me as his doctoral student at the first meeting, for giving me the opportunities to raise my opinions and participate in open discussions, and for all of his whole-hearted instructions. He gave me more supports than I would ever expect. I wish to thank my second advisor, Prof. Dr. B. Helmig for his very valuable comments, questions, and encouragement. My thanks also go to Prof. Dr. M. Vanetti, the committee president, for his supports and kindness.

I had received expert advises from Prof. Fredric W. Swierczek, Dr. Nguyen Van Thang, Dr. Arthur Morse, and Prof. Chris Baughn for which I am very grateful. Helps from my colleagues and friends are really appreciated. I would like to thank the Swiss-AIT-Vietnam project for providing the financial aid. Special thanks go to Dr. Hans Stoessel, Dr. Vo Van Huy, Ms. Bui My Nhung, and Ms. Nguyen Thi Bich Ngoc.

Sometimes I felt that I could not finish my thesis just because it was so hard to get enough primary data. I would like to acknowledge the helps of all people involved in this difficult process: Dr. Nguyen Anh Tuan, Ms. Nguyen Thuy Huong, and Ms. Le Hai Van at the Vietnamese Foreign Investment Agency, Ms. Tran Thi Man and her colleagues at Hochiminh City Institute of Economics, Ms. Hoang Thuy Nga and Mr. Cao Thanh Phong at National Economics University, Hanoi. I am grateful to all managers who agreed to be interviewed or to fill in my questionnaire for their time and considerate answers.

Finally, I owe my family for their loves and sacrifices during this long journey. I would never accomplish what I have today without my husband's supports. My two little daughters have given me energy and a strong incentive to complete the task. I am also thankful to my parents for their care and encouragement.

I sincerely thank them all!

Abstract

This research examines the relationships between International Joint Ventures' (IJVs) knowledge acquisition from their foreign parents, factors determining knowledge acquisition, and IJV performance.

Employing the knowledge-based theoretical perspective and drawing on previous research on knowledge and learning in IJVs, this research proposes an integrative conceptual model linking IJV knowledge acquisition, its antecedents, and performance. The model takes into account the most recent development of each construct. Specifically, an IJV knowledge acquisition from its foreign parent is hypothesized to be determined by:

- the IJV's learning intent,
- the IJV's absorptive capacity which consists of the relatedness between the IJV and its foreign parent business, the IJV's investment in training, its employees' ability to learn, and joint participation between local and foreign personnel,
- the foreign parent's willingness to share knowledge, and
- trust between two parents of the IJV which includes three types: calculation-based, knowledge-based, and identification-based trust.

Knowledge acquisition is hypothesized to determine the IJV's performance and serve as a mediating variable through which its antecedents have an indirect impact on performance.

The model is tested using evidence from two studies conducted in Vietnam, a developing economy in transition. The first study involves a large-scale survey of 154 manufacturing IJVs and the second one involves four case studies. Results show that IJV learning intent, relatedness between the IJV and its foreign parent business, the IJV's investment in training, its employees' ability to learn, and the foreign parent's willingness to share knowledge with the IJV contribute unique variance in knowledge acquisition. Trust between the parents is very important for the IJV knowledge acquisition but its role is alleviated when absorptive capacity, learning intent, and foreign parent's willingness to share are present. Knowledge acquisition is significantly associated with IJV performance but fail to mediate the relationship between its antecedents and performance. Consequently, an improved conceptual model is proposed. The results help advance our understanding of the phenomenon in a comprehensive way and provide practical implications for managers as well as for policy makers in the country.

Brief contents

Table of contents

List of figures

List of tables

List of abbreviations

ADSL	Asymmetric Digital Subscriber Line
AFTA	Association of South East Asian Nation's Free Trade Area
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South East Asian Nation
ASEM	Asia Europe Meeting
BCC	Business Cooperation Contract
BOT	Build-Operate-Transfer
BTC	British Threads Joint Venture Company Ltd.
CPI	Corruption Perceptions Index
DID	Danish Industrial Designing Joint Venture
FDI	Foreign Direct Investment
FIA	Foreign Investment Agency
FNS	French Network Systems Vietnam
GDP	Gross Domestic Products
GFP	German Foods Processing Joint Venture
HCMC	Ho Chi Minh City
IJV	International Joint Venture
IJVs	International Joint Ventures
ILO	International Labor Organization
JETRO	Japan External Trade Organization
JICA	Japan International Cooperation Agency
JV	Joint Venture
JVs	Joint Ventures
MBA	Master of Business Administration
MNC	Multinational Corporation
MNCs	Multinational Corporations
MPI	Ministry of Planning and Investment
P&T	Posts and Telecommunications
SOE	State Owned Enterprise
SOEs	State Owned Enterprises
SPSS	Statistical Package for Social Sciences
UNDP	United Nations Development Programme
VNPT	Vietnam Posts and Telecommunications group
VBF	Vietnam Business Forum
WTO	World Trade Organization

1. Introduction

> "I am telling you, no single joint venture in Vietnam can survive if it does not learn from its foreign parent company."

This sentence came up during my talks with a chief executive officer of an International Joint Venture (IJV) located in Ha Tay province of Vietnam. The sentence struck my mind with a lot of questions: Is learning from the foreign parent that important? Why is it so important? What specific things do IJVs learn from their foreign parents? What make learning successful? Is learning different in different types of IJVs?

While a single research is unlikely to provide complete answers to all of these questions, this doctoral thesis seeks to address most of them. The topic chosen is 'Knowledge Acquisition from Foreign Parents in International Joint Ventures in Vietnam'.

1.1 Rationales

In today's world of turbulence and rapid changes, the success of a firm depends critically on what it knows. Knowledge is considered the most important strategic resource (Grant, 1996b), and a key determinant of firm performance (Nelson and Winter, 1982; Winter, 1987; Hedlund, 1994; Grant, 1996b).

To survive and succeed, firms must continually expand and improve their knowledge base and the successful adaptation of the firm's knowledge base depends upon the capability to source and integrate external knowledge (Tripsas, 1997). As emphasized by Hamel (1991) and Grant and Baden-Fuller (1995), knowledge can be integrated externally through collaborations with other parties.

The last three decades have witnessed a booming number of strategic alliances, including Joint Ventures (JVs). Firms enter into JVs for variety of reasons, in which knowledge is believed to be one of the most important rationales (e.g. Kogut, 1988; Hamel, Doz, and Prahalad, 1989; Badaracco, 1991; Hamel, 1991; Kogut and Zander, 1992; Grant and Baden-Fuller, 1995; Inkpen, 1996). Joint ventures provide firms with 'a window on their partners' broad capabilities' (Hamel et al., 1989, p. 133). Through this window, firms

can acquire knowledge associated with partner skills and capabilities (Inkpen, 1996).

The importance of knowledge, learning, and IJVs has resulted in a stream of research concerning IJVs' knowledge acquisition from their foreign parents. Foreign parents are sources of valuable knowledge that can be used by the IJVs to earn above-normal rents (Steensma and Lyles, 2000). This knowledge is particularly important for IJVs in transitional economies since firms in these economies have very limited experience with market economy and international competition (Lyles and Salk, 1996; Lyles and Barden, 2000; Thuc Anh, Baughn, Hang, and Neupet, 2006).

Despite a great effort in studying alliance learning, it is found to be a difficult and misunderstood process, often coupled with considerable frustration (Crossan and Inkpen, 1995; Martin and Salomon, 2003). Progress has been made, yet to date research on knowledge acquisition from foreign parents in IJVs has still been deficient in three aspects:

First, there is a gap between the development of theory and the quantity as well as quality of empirical evidence. While theories of knowledge and learning in IJVs are quite well articulated and developed, empirical evidence is generally lacking (Simonin, 1999, 2004). Very little has been done to develop research that can significantly influence managerial practice (Argote, 1999; Lyles and Drahanaj, 2004). Many areas have still not been reached an agreement. As stated by Kogut (in Grandori and Kogut, 2002, p. 231):

> "Perhaps we would admit to the disappointment that there was less grounded empirical research, especially statistical studies coupled with field work, than expected. There was disagreement among these articles regarding the value of continued exploration of the philosophical foundations. There was also agreement that there had been considerable advance in research over the past 10 years and still there was disagreement over the characterization of this progress."

This assertion calls for more well-grounded empirical research, especially those combining statistical evidence and cases in order to verify, strengthen, and further develop theories. To my knowledge, there is no single research that incorporates both statistical and case study evidence, quantitative and qualitative aspects of IJV knowledge acquisition from foreign parents.

Second, with the exception of the study by Lyles and Barden (2000), there is a lack of an integrative view on determinants of IJV knowledge acquisition from its foreign parents in each of every done empirical research (Lyles and

Salk, 1996; Lane, Salk, and Lyles, 2001; Dhanaraj, Lyles, Steensma, and Tihanyi, 2004; Thuc Anh et al., 2006). These studies look at knowledge acquisition from a particular perspective, take a particular set of assumptions, and thus, can only tackle one aspect of it. Although Lyles and Barden (2000) made a good attempt to provide an integrated model, they failed to address the contemporary development in each of the factors that can possibly determine knowledge acquisition. Their findings, thus, are subject to verification.

Third, none of the empirical research to date examines whether the process of knowledge acquisition from foreign parents differs in IJVs operating in high-tech vs. those operating in low-tech industries as well as IJVs whose local parents are State-Owned Enterprises (SOEs) vs. those whose local parents are private companies. In high technology industries, knowledge acquisition may be more pervasive, more intensive, and at higher speed (Grant, 1996a). Likewise, the structure and learning content may be different between SOEs' joint ventures and private companies' joint ventures.

This doctoral research bridges the identified gaps in the literature by: (1) proposing an integrative model linking IJV knowledge acquisition, its antecedents and performance that takes into account the most recent development found for each of the constructs, (2) testing the proposed model against empirical data from a large-scale survey and case study data from 4 IJVs in Vietnam, and (3) comparing knowledge acquisition in different types of IJVs with particular attention to the level of technology intensity of the industries within which the IJVs operate and their parents' types.

The results of this study contribute to the growing body of knowledge acquisition in IJVs in general and help to draw some managerial implications for IJVs in Vietnam. As Vietnam is joining the world economy and aiming at building a knowledge-based economy (MPI/DSI, 2001), gaining new knowledge from foreign partners is a critical need for Vietnam-based firms. The results could also be generalized for firms in transition economies in order to maximize the full benefits of IJVs in light of knowledge acquisition.

1.2 Research objective and questions

The objective of this research is to build an integrative model linking knowledge acquisition determinants, knowledge acquisition from foreign parent, and performance of IJVs and test that model in Vietnam. Specific research questions are:

1. What is the current status of knowledge acquisition from foreign parents by IJVs in Vietnam?
2. What factors determine an IJV's knowledge acquisition from its foreign parents?
3. How does an IJV's level of knowledge acquisition affect its performance?
4. Is the knowledge acquisition process different in different types of IJVs?
5. What measures can IJVs take to improve their knowledge acquisition from foreign parents?

1.3 Definition of key terms

The following definitions are important for clarifying the research problem and research scope.

1.3.1 Knowledge

As will be seen in section 2.2 later, knowledge is defined differently by different authors. However, for the purpose of this particular study, I adopted the concept of knowledge developed by Davenport and Prusak (1998, p.5) because it is quite complete and reflects the personal and organizational aspects of knowledge:

> "Knowledge is a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information. It originates and is applied in the minds of knowers. In organizations, it often becomes embedded not only in documents or repositories but also in organizational routines, processes, practices, and norms."

Knowledge from the foreign parent consists of the knowledge held by the parent's employees as well as knowledge embedded in the parental organizations' policies, procedures, norms, systems, and processes.

1.3.2 Knowledge acquisition

Knowledge acquisition is 'the process by which knowledge is obtained' (Huber, 1991, p. 90). Many terms have been used to describe these processes: acquire, seek, generate, create, capture, and collaborate. All of these terms have a common theme - the accumulation of knowledge (Gold, Malhotra, and Segars, 2001).

In this study, knowledge acquisition is defined as 'a process by which an IJV captures new knowledge from its foreign parent firm and integrates that knowledge into its knowledge base'. Acquired knowledge does not have to be newly created, only new to the organization (Davenport and Prusak, 1998). Knowledge acquired can be tacit, explicit, or a combination of both.

Knowledge acquisition results from individual participation and interactions with tasks, technologies, resources and people within a particular context (Bourdieu, 1990; Brown and Duguid, 1991; Garud and Rappa, 1994; Tsoukas, 1996). Individuals acquire knowledge, but organizations create a context for individuals to acquire that knowledge. In IJV learning, the IJV and its relationship with foreign parent is the context in which knowledge is acquired by the IJVs' individual members. The acquired knowledge will become the IJV's knowledge through the organizational knowledge creation process which is described by Nonaka, Takeuchi, and Umemoto (1996, p. 834) as 'a process that 'organizationally' amplifies the knowledge created by individuals and crystallized it as a part of the knowledge system of organization.' Following Alavi and Leidner (2001) and Lyles and Salk (1996), in this study, knowledge acquisition process is considered as an ongoing activity rather than a discrete outcome.

Knowledge acquisition process is similar to the learning process. Huber (1991) described knowledge acquisition as a main learning construct that involves different types of learning. A number of authors such as Brown and Duguid (1991), Inkpen and Currall (2004) consider knowledge acquisition and learning as the same phenomenon. In this study too, knowledge acquisition and learning terms are used interchangeably.

1.3.3 International joint venture

A joint venture occurs when two or more companies pull resources together to establish a separate legal entity. The resource-committing companies are the 'parents' of the joint venture and the joint venture is the 'child' of those parents. An international joint venture in Vietnam is a separate legal entity established by two or more parent companies; at least one of them is headquartered in a foreign country.

1.4 Research approach

This research uses triangulation of quantitative and qualitative methods in order to get both the coverage and a deep understanding of knowledge acquisition in IJVs in Vietnam. Triangulation of method is appropriate for the following reasons. Firstly, knowledge acquisition is a complex phenomenon which a single method alone cannot capture its full meaning. Secondly, quantitative and qualitative research can complement each other and a study using both is fuller or more comprehensive (Neuman, 2000). Denzin (1970) argues that triangulation can lead to a greater validity and reliability than a single methodological approach. Triangulation is not only possible but also necessary because it can help to reduce the likelihood of misinterpretation. It can serve to clarify meaning by identifying different ways the phenomenon is being seen (Flick, 1992). Thirdly, to my understanding, previous research done in IJV learning field used either purely quantitative (e.g. Lyles and Salk, 1996; Simonin, 1999, 2004; Thuc Anh et al., 2006) or purely qualitative (e.g. Hamel, 1991; Crossan and Inkpen, 1995; Inkpen, 1996, 1998), therefore, by combining both quantitative and qualitative approaches, this research can bridge the gap in terms of methodology.

The research proceeded through five steps as illustrated in **Figure 1-1**. Details of each step are specified in sections from 1.4.1 to 1.4.5.

1.4.1 Conceptualization

The purpose of this step is to develop a conceptual model of knowledge acquisition in IJVs. The framework is developed based on an extensive literature review of theoretical background as well as empirical research on knowledge acquisition, learning, and IJVs.

1.4.2 Research context examination

This step investigates the Vietnamese investment environment in general and the situation on IJVs in particular. It based on available public data and data collected from the Ministry of Planning and Investment (MPI), which is the government body responsible for foreign investment in Vietnam. Data from MPI are official government data regarding the problem under investigation.

Based on the results of step 1 and step 2, two studies are developed.

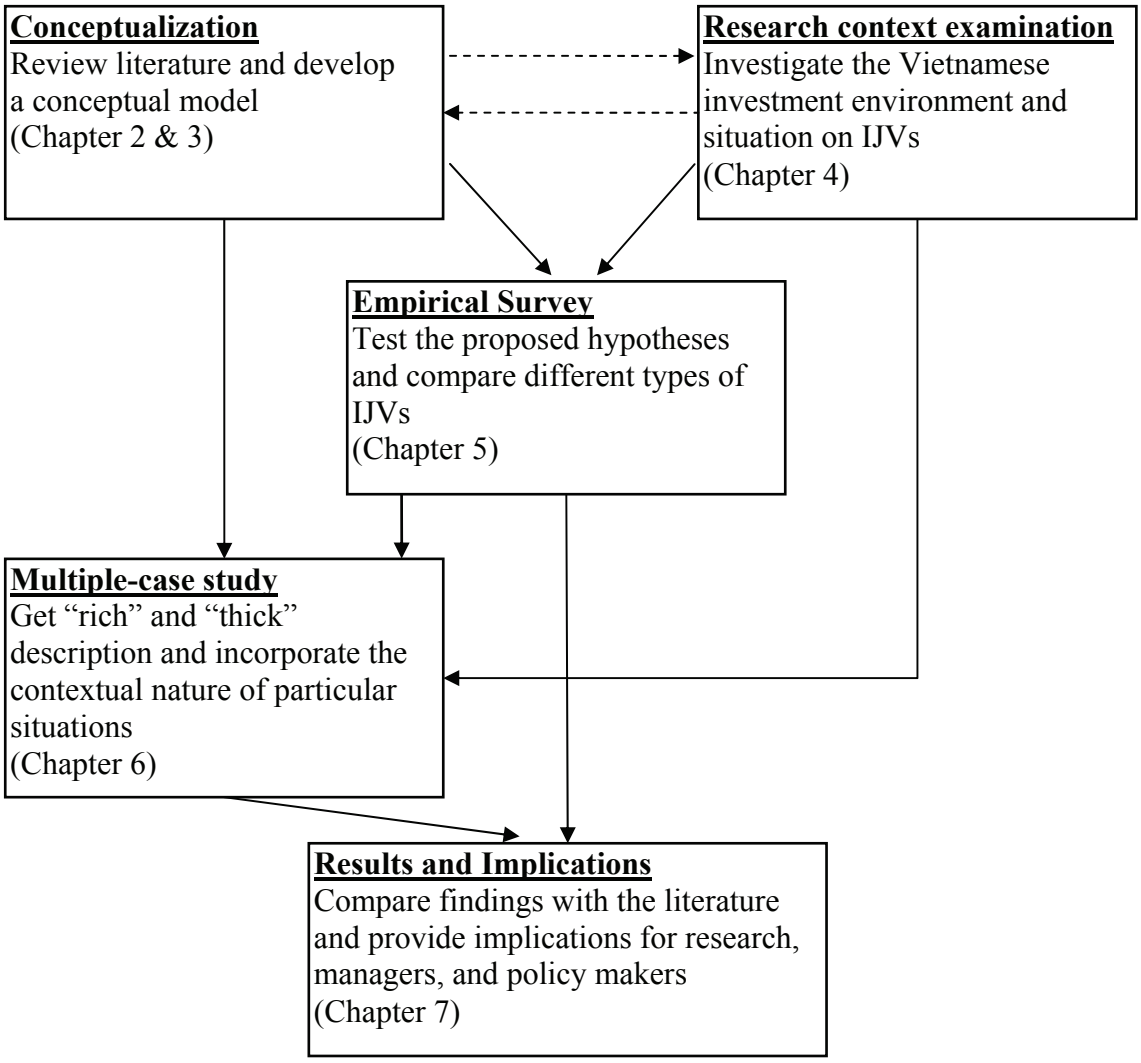


Figure 1-1: The overall research strategy

1.4.3 Empirical survey

The purpose of the empirical survey is to empirically test the conceptual model in the Vietnamese context. The survey is conducted on the nation-wide basic with a representative from each IJV asked to fill out a questionnaire. The survey involves only manufacturing IJVs. Collected data are used to test the proposed hypotheses about knowledge acquisition from foreign parents in IJVs.

1.4.4 Multiple-case study

The survey gives a broad picture of what many organizations think or report doing. However, it provides little depth into the studied phenomenon. Thus,

the next step of the research involves a study of a small number of cases at a very in-depth level so that detailed insights of the phenomenon under study can be obtained.

Specifically, the survey can show the level of knowledge acquisition reported by IJVs and what factors are statistically significantly associated with knowledge acquisition but can not provide answers for questions such as 'how does knowledge acquisition process take place within the IJVs?'. Answers to these questions can be obtained by using the case study method. As noted by Yin (1989), the case study method is particularly suitable to answer 'how' and 'why' research questions.

The case study method can result in 'rich' and 'thick' descriptions of knowledge acquisition within IJVs and more importantly, can incorporate an analysis of the contextual nature of the situation. Yin (ibid.) pointed out that the case study is a method of choice when the phenomenon under study is not readily distinguishable from its context. According to the author, inter-organizational partnerships, for example, are typical situation warranting the use of case studies.

Focusing on a small number of cases allows the researcher to approach several people within a venture, therefore, will help avoid the common method bias problem (Podsakoff and Organ, 1986), which is a problem when a single informant from each JV is interviewed. In deed, Simonin (1999) admitted that his research was suffered from this problem and urged that future research could be benefited from multiple informants within an organization. Moreover, in several cases, the learning potential by a partner and knowledge flow can be more apparent to middle managers and engineers involved in the alliance's day-to-day activities than to senior executives (Baughn, 1997).

According to Yin (1989), there are four basic types of designs for case studies: (1) single-case (holistic) design, (2) single-case (embedded) designs, (3) multiple-case (holistic) designs, and (4) multiple-case (embedded) designs. The classification is based on the number of cases to be studied and the number of unit of analysis within each case (holistic design involves single unit of analysis and embedded design involves more than one unit of analysis). This research mainly utilizes type 3, multiple-case holistic design because of two reasons: (a) the evidence from multiple cases vs. single case design is usually more compelling, therefore, the overall research is often considered as more robust (ibid.), and (b) the IJV is the unit of analysis of this research. However, when appropriate, I also look at sub-unit levels such as

department or individual levels so that relationships between the subunit levels and organizational level can be more clearly understood.

1.4.5 Results and implications

The last step of this research involves a comparison of the findings from the survey and multiple-case study with the literature. Based on that, implications for the academic community, policy makers, and practitioners were drawn out.

1.5 Structure of the thesis

The thesis comprises of seven chapters, including this Introduction chapter. Chapter 2 reviews literature on knowledge-based theory, which serves as the theoretical foundation for the studying of IJV knowledge acquisition. Chapter 3 reviews specific literature on IJVs' knowledge acquisition from foreign parents to build a conceptual model and produce a number of hypotheses. Chapter 4 provides background information on Vietnamese investment environment and IJV situation of the country. Chapter 5 describes the empirical survey. The multiple-case study is presented in chapter 6. Chapter 7 compares the results of the two studies with the literature, discusses their implications, and concludes the thesis.

2. Theoretical foundation

The late 1980s and beginning of 1990s saw the rising of knowledge-based economies; those are directly based on the production, distribution and use of knowledge and information. Knowledge is recognized as the driver of economic growth. The so-call 'knowledge-based view' has been developed in response to this change in the environment. Over the last decade, the knowledge-based thinking has occupied a unique place in management theories and gradually developed itself into one of the dominant perspectives.

This research employs the knowledge-based view as its theoretical foundation. As indicated by Steensma and Lyles (2000), knowledge-based perspective is particularly applicable to the study of IJVs in general and of IJV learning from foreign parents in particular. This chapter outlines knowledge-based theory's origins, developments, current thinking, and challenges. It ends with a section describing how knowledge-based perspective can be applied to the study of IJVs.

2.1 Origins of knowledge-based theory

2.1.1 Philosophy and epistemology as origin of knowledge-based theory

The study of knowledge is not new. It has been a subject matter of philosophy and epistemology since the ancient Greeks and has been emphasized heavily in Western philosophy (Kakabadse, Kakabadse, and Kouzmin, 2003) in which the works of Polanyi (1958; 1966) exert a strong influence on the understanding of personal knowledge and knowledge in organizational and economic life. Much of the current knowledge-based thinking (e.g. Nonaka, 1994; Nonaka and Takeuchi, 1995) has been developed based on this primary root.

2.1.2 Organizational learning as origin of knowledge-based theory

Learning can be defined as the process by which new information is processed by an entity, changing the range of its potential behaviors and possibly leading to better outcomes (Huber, 1991). There is a clear connection between learning and knowledge because learning will eventually increase the entity's knowledge base. Organizational learning theories (e.g. Cyert and

March, 1963; e.g. Argyris and Schön, 1978; Fiol and Lyles, 1985; Huber, 1991; March, 1991; Dixon, 1994) have strong influences on the study of knowledge in organizations, especially when knowledge-based theorists study the process side of knowledge in organizations such as knowledge creation (Nonaka, 1994; Nonaka and Takeuchi, 1995), knowledge integration (Grant, 1996a, 1996b), knowledge replication (Kogut and Zander, 1992, 1996), knowledge transfer (Szulanski, 1996) and knowledge acquisition (Lyles and Salk, 1996; Lane et al., 2001; Dhanaraj et al., 2004).

2.1.3 Evolutionary theory of economic change as origin of knowledge-based theory

Efforts to build the knowledge-based theory of the firm also draw on the evolutionary theory of economic change proposed by Nelson and Winter (1982). According to this theory, a firm is a social entity, which evolves by adapting the body of knowledge shared by its members, and it is the firm's productive knowledge that defines its competitive advantage. Nelson and Winter's central concept is that of routines, which are defined as 'the specifics of the ways firms relate to owners, customers, and input suppliers' (p. 97) and/ or 'the skills of the organizations' that in turn become its 'genes'. 'Firms may be expected to behave in the future according to the routines they have employed in the past' (p. 134).

Knowledge-based theorists often employ the core premises of the evolutionary perspective. For example, the notion of firm as a social entity can be seen in the works of Kogut and Zander (1993), Nonaka and Tacheuchi (1995), and Spender (1996); 'routines' are often considered as a typical type of organizational knowledge (e.g. Kogut and Zander, 1992; Davenport and Prusak, 1998), and no theorist resists that knowledge determines a firm's competitive advantage.

2.1.4 Resource-based view as origin of knowledge-based theory

The resource-based view has long been one of the most dominant views of strategies. According to this view, strategic actions which reposition the firm require it to possess very specific resources, competencies and capabilities (Wernerfelt, 1984). Valuable, rare, inimitable and non-substitutable resources (Barney, 1991) and organizational core capabilities (Leonard-Barton, 1992) or competencies (Prahalad and Hamel, 1990) are sources of sustainable advantage for firms.

As the industrial age gives way to the information age, the resource-based gives rise to the knowledge-based view where knowledge, especially tacit knowledge is recognized as one of the most important strategic resources (Grant and Baden-Fuller, 1995; Grant, 1996a, 1996b, 1997). These authors employed the resource and capability perspective to explain the relationship between a firm's knowledge integration and its competitive advantage. According to them, knowledge integration in a firm leads to the firm's organization capabilities, which in turn, determine its competitive advantage. Similarly, Kogut and Zander (1992, p. 384) see knowledge of the firm as leading to the firm's 'set of capabilities that enhance the chances for growth and survival'. Likewise, Cook and Brown (1999) considers knowledge and knowing as elements of an organization's competency.

2.2 Knowledge

The knowledge-based theory starts with what knowledge means. This section describes the concept and types of knowledge as well as the distinction between knowledge and knowing.

2.2.1 Definitions of knowledge

The concept of knowledge is well grounded in the Western philosophy. For most philosophers (e.g. Plato, Aristotle, Descartes, Dewey, and Polanyi) knowledge is defined as 'justified true belief' (Kakabadse et al., 2003). This definition is still held widely today. For example, Nonaka (1994) defines knowledge as 'a dynamic human process of justifying personal beliefs as part of an aspiration for the truth'.

Recently, some authors have proposed other definitions, which include, for example, 'valuable information in action' (Grayson and Dell, 1998, p.2), 'information, technology, know-how, and skills' (Grant and Baden-Fuller, 1995). Davenport and Prusak (1998, p.5) proposed a quite comprehensive definition of knowledge:

> "Knowledge is a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information. It originates and is applied in the minds of knowers. In organizations, it often becomes embedded not only in documents or repositories but also in organizational routines, processes, practices, and norms."

According to the authors, knowledge is more than information. It is 'deeper' and 'richer', including various elements; it is fluid as well as formally structured; it is intuitive and therefore hard to capture in words or understand completely in logical terms. Information, in contrast, is more 'objective', often comes in the form of messages. Information can be transmitted without loss of meaning. As indicated in chapter 1, this definition is employed for this research.

2.2.2 Types of knowledge

The extant literature classifies knowledge in different ways. These include individual vs. collective/group knowledge (Cook and Brown, 1999), tacit vs. explicit (Polanyi, 1958, 1966; Winter, 1987; Nonaka and Takeuchi, 1995), declarative vs. procedural (Anderson, 1981; Quinn, Anderson, and Finkelstein, 1996; Garud, 1997), architectural vs. component (Henderson and Clark, 1990; Matusik and Hill, 1998), and private vs. public knowledge (Matusik and Hill, 1998).

2.2.2.1 Individual knowledge and collective knowledge

Individual knowledge refers to the knowledge held by individuals. According to the Cartesian, it is the individual thinker who is the primary (if not exclusive) wielder and repository of what is known (Cook and Brown, 1999). The question is whether there is anything called 'collective knowledge' or 'group knowledge'. For some people, this concept is unclear or virtually does not exist. For example, Simon (1991, p. 125) noted that 'all learning takes place inside individual human heads'. This view was followed by Grant (1996b) who contended that knowledge creation is an individual activity. For many others (e.g. Nelson and Winter, 1982; Kogut and Zander, 1992; Weick and Roberts, 1993; Spender, 1996; Cook and Brown, 1999), however, a group does have knowledge of its own. Group knowledge is knowledge 'held in common' by the group (Cook and Brown, 1999, p. 386). According to the authors, not every individual in a group possess everything that is in the group's knowledge but this knowledge is possessed by the group as a whole. Weick and Roberts (1993, p. 374) described the concept of 'collective mind' as 'a distinct higher-order pattern of interrelated activities'.

Perhaps the most widely discussed form of group knowledge is organizational knowledge. Nonaka and Takeuchi's (1995) definition of organizational knowledge is 'the capability of a company as a whole to create new

knowledge, disseminate it throughout the organization, and embody it in products, services, and systems'. Examples of organizational knowledge include operating rules, manufacturing technologies, and customer databanks (Kogut and Zander, 1992).

2.2.2.2 Tacit knowledge and explicit knowledge

The most common knowledge classification method is classification according to whether knowledge is tacit or explicit. Tacit knowledge was defined by Polanyi (1966) as knowledge that is non-verbalizable, intuitive, unarticulated. Tacit knowledge is highly context specific and has a personal quality, which makes it hard to formalize and communicate (Nonaka, 1994). Examples of tacit knowledge include subjective insights, intuition, and hunches. By contrast, explicit knowledge is knowledge that can be codified, articulated, and easy to be communicated through words and numbers, and shared in the form of hard data, formulae, and principles. In organizations, explicit knowledge rests on a company's policies, systems, guidelines, and procedures. Tacit and explicit knowledge are interdependent, yet distinctive types of knowledge. Anyhow, a sharp division between them does not exist.

Several authors (e.g. Winter, 1987) suggested that tacitness could be considered as a variable with the degree of tacitness a function of the extent to which the knowledge is or can be codified.

2.2.2.3 Declarative knowledge, procedural knowledge and wisdom

Based on Ryle's (1949) definition of know-that (or know-what) and know-how, Anderson (1981) distinguished between declarative and procedural knowledge. Later, several other authors have added the concept of wisdom or know-why (Hamel, 1991; Quinn et al., 1996; Garud, 1997; Gorman, 2002).

Declarative knowledge (know-what) is knowledge describing facts and events (Anderson, 1981). It can be codified and transmitted without loss of meaning (Garud, 1997). This type of knowledge can be achieved through extensive training and certification (Quinn et al., 1996).

Procedural knowledge (know-how) is knowledge about how to perform a task, or the procedures to get a task done. While declarative knowledge is of theoretical type, procedural knowledge concerns with skills that are based on experience and embedded in practice (Anderson, 1981). It reflects the ability

to apply the rules of a discipline to complex real-world problems (Quinn et al., 1996).

Wisdom (know-why) is knowledge about why things occur or why things are done in the ways they are done. It is the understanding of the principles and theories underlying something (Garud, 1997), the ability to reflect on what is doing, to question the prevailing mental models and procedures, and if necessary, comes up with a new course of action (Gorman, 2002). People with know-why can move beyond the execution of normal tasks to solve larger and more complex problems – to create extraordinary value. They can anticipate subtle interactions and unintended consequences (Quinn et al., 1996).

Garud (1997) gave an example of know-what, -how, and –why as follows: consider a computer that comprises many components that together provide utility to users. Know-why represents an understanding of the principles underlying the construction of each component and the interactions between them. Know-how represents an understanding of procedures required to manufacture each component and an understanding of how the components should be put together to perform as a system. Know-what represents an understanding of the specific system configurations that different customers groups may want and the different uses they may put these systems to.

2.2.2.4 Component knowledge and architectural knowledge

Component knowledge is the knowledge that relates to ‘parts’ or ‘components’, rather than the whole (Matusik and Hill, 1998). Examples of component knowledge in a firm include knowledge relating to the firm's manufacturing process, inventory management process, and customer order handling process. Each process is just one part of the firm's overall knowledge.

Conversely, architectural knowledge is knowledge that relates to the whole. It includes routines and schemas for coordinating the various components of an organization and putting them to productive use. It tends to become embedded in the organization’s structure and information-processing procedures (Henderson and Clark, 1990).

2.2.2.5 Private knowledge and public knowledge

Matusik and Hill (1998) distinguished between private and public knowledge. Private knowledge is unique to a firm, whereas public knowledge is common to many firms. Examples of private knowledge include items such as a firm's unique routines, processes, documentation, or trade secrets. Examples of public knowledge include items such as industry best practices and specific accounting practices.

Private knowledge can be a source of competitive advantage because it is unique (Barney, 1991). In contrast, by definition, public knowledge cannot be a source of competitive advantage since it is not proprietary to any one firm. However, the failure to apply such knowledge within a given firm can be a source of competitive disadvantage. 'The application of public knowledge pertaining to best practices is necessary for survival in a highly competitive marketplace, but, by itself, it will not guarantee competitive advantage. That requires private knowledge' (Matusik and Hill, 1998, p. 684).

2.2.2.6 Different types of business knowledge

In addition to the above taxonomy, in the context of business organizations, knowledge is also classified in terms of different areas of business administrations such as manufacturing knowledge, marketing knowledge, management knowledge, and product development knowledge (Lyles and Salk, 1996; Lyles and Barden, 2000; Lane et al., 2001).

2.2.3 Knowledge vs. knowing

In defining knowledge, one should be aware of the difference between knowledge and knowing. Although these two terms sometimes used interchangeably, for many authors, they are different. At a basic level, knowledge is seen as an object, a thing, and knowing is seen as an action. Knowledge is what inside people's heads, what people use in action while knowing is an action itself. Knowing requires action in which progress is made through active engagement with the world (Nahapiet and Goshal, 1998). Similarly, Maturana and Varela (1998, p.27, 29) defined knowing as 'effective action'. They noted that 'all doing is knowing, and all knowing is doing'. 'Knowing is not static embedded capability or stable disposition of actors, but rather an ongoing social accomplishment, constituted and reconstituted as actors engage the world in practice' (Orlikowski, 2002,

p.249). Knowledge is abstract and static while knowing is concrete, dynamic, and relational (Cook and Brown, 1999).

2.3 Knowledge-based theory

The knowledge-based view has been emerged as both a theory of the firm and a theory of strategy. It can be considered as comprises of three schools of thoughts. The first school (e.g. Kogut and Zander, 1992; Nonaka, 1994; Grant, 1996b), which I call 'traditional knowledge perspective', believes that knowledge is the most important strategic resource and emphasizes the roles of knowledge acquisition, storage, replication, transfer, and creation in organizations. The second school emphasizes a more dynamic, situated, and action-embedded treatment of knowledge. More specifically, contributors of this school (e.g. Blackler, 1995; Spender, 1996; Orlikowski, 2002) focus the role of knowing rather than knowledge in organization. This school, therefore, is referred to as 'knowing perspective'. The third school (e.g. Cook and Brown, 1999; Hargadon and Fanelli, 2002) recognizes the importance of both knowledge and knowing and proposes an integrative approach to knowledge and knowing in organization. I term this school as the' integrated perspective'.

2.3.1 Traditional knowledge perspective

Among three schools, the first one has the longest history, been most established, and is also the most prominent. Key theorists include Kogut and Zander (1992), Nonaka (1994), Nonaka and Takeuchi (1995), and Grant (1996a; 1996b; 1997), whose works are reviewed in detailed below.

2.3.1.1 Kogut and Zander's works

Kogut and Zander (1992) were among the firsts to emphasize the strategic importance of knowledge as a source of advantage. Their work has established the foundation for the knowledge-based theory of the firm. Central to their thesis is the idea that what firms do better than markets is the creation and transfer of knowledge within the organization. Knowledge, consisting of information and know-how (which correspond to declarative and procedural knowledge), in their views, is held by individuals but is also expressed in regularities by which members cooperate in a social community. Firms are social communities as such. A firm is 'a repository of capabilities,

as determined by the social knowledge embedded in enduring individual relationships structured by organizing principles' (p. 396). Organizing principles could be understood as 'the organizing knowledge that establishes the context of discourse and coordination among individuals with disparate expertise and that replicates the organization over time in correspondence to the changing expectations and identity of its members' (Kogut and Zander, 1996, p. 503). This idea was further articulated and empirically tested in their article (Kogut and Zander, 1993) published in the Journal of International Business Study which later got the journal's decade award. In this article, they wrote:

> "In our view, firms are efficient means by which knowledge is created and transferred. Through repeated interactions, individuals and groups in a firm develop a common understanding by which to transfer knowledge from ideas into production and markets. In this very critical sense, what determines what a firm does is not the failure of a market, but the firm's efficiency in this process of transformation relative to other firms. It is the difference in knowledge and the embedded capabilities between the creator and the users (possessed with complementary skills) which determine the firm boundary, not market failure itself."

According to the authors, a firm's boundary is determined by its knowledge. To explain why there is more knowledge inside the firm than outside, the authors (1996) discusses the concept of identity. According to them, individuals are 'unsocial sociality' which means that they have both the desire to become a member of community and the desire to retain their own individuality. As firms provide a normative territory to which members identify, the costs of coordination, communication, and learning within firms are much lower. Thus, more knowledge can be shared and created within firms.

2.3.1.2 Nonaka and his colleagues' works

Nonaka (1994), Nonaka and Takeuchi (1995), and Nonaka, Takeuchi, and Umemoto (1996) have a similar arguments to Kogut and Zander's in that first, knowledge should be the basic unit of analysis for explaining a firm's behavior and second, knowledge in organization is socially constructed. Adopting Polanyi's (1958) definition of knowledge as 'justified true belief', their works complemented the works of Kogut and Zander by providing a model for understanding the knowledge creation process in organizations. According to them, organizational knowledge is created through a continuous dialogue between tacit and explicit knowledge. They identified four modes of

knowledge conversion: (1) from tacit knowledge to tacit knowledge, called 'socialization,' is a process of sharing experiences to create shared mental models and technical skills; (2) from tacit knowledge to explicit knowledge, called 'externalization,' is the process of expressing and articulating knowledge through the use of metaphors and analogies; (3) from explicit knowledge to explicit knowledge, called 'combination', works to systemize concepts into a knowledge system; and (4) from explicit knowledge to tacit knowledge, called 'internalization,' is closely associated with 'learning by doing'. While each of the four modes can independently create knowledge, the organizational knowledge creation process takes place when all four modes are organizationally managed and dynamically interacted. The process constitutes a 'knowledge spiral', which is highly iterative and occurs mainly through informal networks of relations in the organization, begins at the individual level, moves up to the collective (group) level, and then to the organizational level. The result is a 'spiraling effect' of knowledge accumulation and growth which enables innovation and learning.

To discuss the organizational aspect of knowledge creation, the authors argued that while new knowledge is created by individuals, organizations play a critical role in articulating and amplifying that knowledge. Organizational knowledge creation, therefore, could be defined as 'a process that 'organizationally' amplifies the knowledge created by individuals, and crystallized it as a part of the knowledge network of organization' (Nonaka, 1994, p.17).

In an attempt to further develop the knowledge-based theory of the firm, Nonaka and Toyama (2003) advanced the theory of knowledge creation by incorporating the dialectic thinking and discussing the firm boundary. In their view, firm is a dialectic being. Strategy and organization should be examined as the synthesizing and self-transcending process instead of a logical analysis of structure or action. Knowledge creation is conceptualized as a dialectical process, in which various contradictions are synthesized through dynamic interactions among individuals, the organization, and the environment. As contradictions exist within the firms and between the firms and its environment, strategy should be considered as a combination of internal resources as well as environmental adjustments. Besides Nonaka's traditional knowledge creation model, they introduced also the concept of Ba to illustrate the context-specific nature of knowledge creation. Ba was defined as 'a shared context in motion, in which knowledge is shared, created, and utilized'. It 'provides the energy, quality, and places to perform the individual knowledge conversions and to move along the knowledge spiral' (p. 6). A firm, therefore, can be viewed as an organic configuration of various Ba,

where people interact with each other and with the environment based on the knowledge they have and the meaning they create.

2.3.1.3 Grant and his colleague's works

Grant (1996a; 1996b; 1997) further articulated the theoretical arguments for the knowledge-based view in what has become probably the most widely used perspective on knowledge. His work is based on the following assumptions (Grant and Baden-Fuller, 1995, p.18; Grant, 1997, p. 451):

- "Knowledge is the overwhelmingly important productive resource in terms of its contribution to value added and its strategic significance.
- Knowledge comprises information, technology, know-how, and skills. Different types of knowledge vary in their transferability. The critical distinction is between 'explicit knowledge' which is capable of articulation (and hence transferable at low cost), and 'tacit knowledge' which is manifest only in its application and is not amenable to transfer. The ease with which knowledge can be transferred also depends upon the capacity of the recipient to aggregate units of knowledge.
- Individuals are the primary agents of knowledge creation and, in the case of tacit knowledge, are the principal repositories of knowledge. If individuals' learning capacity is bounded, knowledge creation requires specialization: increased depth of knowledge normally requires sacrificing breadth of knowledge. At the same time, production typically requires the application of many types of knowledge.
- Most knowledge is subject to economies of scale and scope. This is especially the case with explicit knowledge which, once created, can be deployed in additional applications at low marginal cost."

As knowledge is resided within individuals and as a firm consists of multiple individuals with specialized knowledge, its primary role is integrating those specialized knowledge to produce products and services. A firm exists because it can create conditions under which many individuals can integrate their specialist knowledge, something that the markets cannot do as efficiently. To support the understanding of how these specialized knowledge can be integrated within firms, the author (1996b) described four mechanisms: (1) rules and directives in which rules are standards which regulate the interactions between individuals and directives are what the specialists establish to guide the non-specialists; (2) sequencing which is a mechanism to organize production activities in a time-patterned sequence such that each specialist's input occurs independently through being assigned a separate time slot; (3) routines which are signals and responses developed by teams over time that permit the complex interactions between individuals

in a relatively automatic fashion; and (4) group problem solving and decision making which is a mechanism used to perform unusual, complex and important tasks that require extensive personal interactions and communications. He also stressed the importance of common knowledge as a mean through which multiple individuals can communicate and thus, knowledge can be integrated. In addition, the author identified some implications for the organizational structure of firms. A firm's organizational structure may switch from traditional hierarchy to team-based depends on the knowledge requirements to perform a task and the centralization of decision-making depends very much on the characteristics of the knowledge required.

The works of Grant (1996b) are somewhat different from other works on knowledge-based view of the firms (Kogut and Zander, 1992, 1993; Nonaka, 1994; Nonaka and Takeuchi, 1995; Kogut and Zander, 1996; Nonaka et al., 1996; Spender, 1996; Kogut and Zander, 2003; Nonaka and Toyama, 2003). He considers knowledge creation as an individual activity (rather than an organizational activity) and firms' role as the application of existing knowledge to the production of goods and services (than creation of new knowledge as in the case of Nonaka and his colleagues, or than knowledge creation and transfer as in the case of Kogut and Zander, or than knowledge generation and knowledge application as in the case of Spender). This is of course, not to say that organization is not important, in deed, it provides context, incentives and directions for knowledge creation. As such, if looking more closely, Grant's work and that of Nonaka et al. is similar to each other along this line.

2.3.1.4 Other contributions

In addition to the above-mentioned authors, many others made considerable contributions to the development of the traditional knowledge-based theory of the firms. For examples, Conner and Prahalad (1996) showed that knowledge-based considerations can outweigh opportunism-based ones in predicting the existence of firms, Quinn (1994) explored the importance of knowledge in the new 'intelligent enterprises', Hedlund (1998) described the features of the knowledge-based, N-form firms, and Galunic and Rodan (1998) demonstrated how knowledge-based resources can be combined in firms and the importance of the recombination for organizational innovation. Many empirical studies have also generated important implications for the knowledge-based theory but for the purpose of this chapter, I mainly concentrate on theoretical works.

2.3.2 Knowing perspective

The second school of thoughts argues for a more contextual, processual, and situated view of knowledge, which ties closely with learning theory and social identity. Knowledge is considered socially constructed and the creation of meaning occurs in ongoing social interactions grounded in working practices (Weick and Roberts, 1993) and the specifics of the social and cultural setting (Blackler, 1995; Galunic and Rodan, 1998). Authors such as Blackler (1995), Spender (1996), and Orlikowski (2002) suggested that it is more appropriate to study knowing instead of knowledge.

2.3.2.1 Blackler's work

Blackler (1995, p. 1021) criticized that the traditional approach to knowledge is 'compartmentalized and static'. He suggested that rather than talking about knowledge, it is more helpful to talk about the process of knowing. Applying activity theories, he conceptualized knowing as something that people do which is (1) mediated (i.e. manifested in systems of language, technology, collaboration, and control), (2) situated (i.e. located in time and space and specific to particular contexts), (3) provisional (i.e. constructed and constantly developing), (4) pragmatic (i.e. purposive and object-oriented), and (5) contested (i.e. related to power). Research on knowledge in organizations, therefore, should explore the dynamics of the systems through which knowing is accomplished and new knowledge is generated.

2.3.2.2 Spender's work

Similarly, Spender (1996) argued for a dynamic (rather than a static) knowledge-based theory of the firm. In this view, knowledge is a process, a 'competent goal-oriented activity' (Spender, 1996, p.57) rather than an observable and transferable resource. Knowledge itself is dynamic and contained within actor networks. According to the author, a firm is a dynamic, evolving, quasi-autonomous, organic system of knowledge production and application. It is a system of knowing activity rather than a system of applied abstract knowledge. He recognized that both individuals and collectives had knowledge-based identities and the relationship between firms and its employees could be summarized in a sentence: 'organizations learn and have knowledge only to the extent that their members are malleable beings whose sense of self is influenced by the organization's evolving social identity' (p.53).

2.3.2.3 Orlikowski's work

Likewise, Orlikowski (2002) is also in favor of knowing. She noted that 'there may be value in a perspective that focuses on the knowledgeability of action, that is on knowing rather than knowledge' (p. 250, 251). Her work strengthens that of Blackler (1995) and Spender (1996) by providing an illustrative case study that shows how knowledge that is distributed among individuals and embedded in their work practices can be integrated and shared with others.

2.3.2.4 Challenges posed by the knowing perspective

Focusing on knowing instead of knowledge challenges the idea that knowledge can be stored, transferred, or moved. Orlikowski (2002) wrote:

> "Sharing 'know how' cannot be seen as a problem of knowledge transfer or a process of disembedding 'sticky' knowledge' from one community of practice and embedding it in another—with or without the mediating help of boundary objects, boundary practices, brokers, or forums. Rather, sharing 'know how' can been seen as a process of enabling others to learn the practice that entails the 'knowing how'. It is a process of helping others develop the ability to enact—in a variety of contexts and conditions – the knowing in practice."

Focusing on knowing instead of knowledge also makes it particularly challenging to understand the firm boundary or firm identity. Spender (1996, p. 56) discussed at length a firm's boundary establishment and argued that the boundary of a firm was defined by closure mechanisms, which described as 'those aspects of the firm's or industry's internal processes which generate its autonomy and self-regulating facility, and help attenuate consideration of its endless externalities'. Although the author stated that a firm's closure mechanisms emerged from the 'interplay of its public and private aspects' (p. 58), it is still not clear how the firm's knowing shapes these closure mechanisms. Similarly, recognizing that a firm was a social identity, the author did not specify clearly the relationship between identity and knowing. Thus, to me, the question of firm boundary is not satisfactorily addressed by him. A starting point for thinking about firm identity could be 'to think about identity as ongoing accomplishment, enacted and reinforced through situated practices' (Orlikowski, 2002, p. 270). This is because knowing is dynamic, situated, and ongoing (i.e. constituted and reconstituted through the everyday practices). As noted by Spender (1996), it is difficult to operationalize the

knowledge-based theory of the firm if it considers knowing instead of knowledge.

2.3.3 Integrated perspective

The third school of thoughts, including Cook and Brown (1999), and Hargadon and Fanelli (2002) proposes an integrated approach to understand knowledge and knowing in organizations.

2.3.3.1 Cook and Brown's work

Cook and Brown (1999) argued that both knowledge and knowing were important for firms. Knowledge is seen as something that people possess (called 'epistemology of possession') and knowing is seen as people's actions (called 'epistemology of practice'). Knowledge is a tool of knowing, knowing is an aspect of people's interaction with the social and physical world and the interplay of knowledge and knowing can generate new knowledge and new ways of knowing. The co-existence and interaction between knowledge and knowing (called 'generative dance') is seen as a powerful source of organization innovation. Thus, according to the authors, knowledge and knowledge management studies should not only focus on the body of knowledge that an organization acquires, stores, and transfers, but also the ways in which organizations interact with its environment to seek and create more knowledge.

2.3.3.2 Hargadon and Fanelli's work

In a similar vein, Hargadon and Fanelli (2002, p. 294) described organizational knowledge as consisting of two types: latent knowledge and empirical knowledge. Latent knowledge is defined by the authors as knowledge which 'represents the individually held schemata of organizational members and this knowledge constitutes the precondition for novel action'. Empirical knowledge is defined as knowledge that 'encompasses the physical and social artifacts that surround individuals in organizations'. While latent knowledge exist in people' mind and serve as the potential for actions, empirical knowledge exist in people' actions. Latent knowledge can be converted to empirical knowledge and empirical knowledge can be converted to latent knowledge. Thus, on the one hand, Hargadon and Fanelli's concepts of latent knowledge and empirical knowledge are somewhat similar to the

tacit and explicit knowledge concepts proposed by Nonaka (1994). On the other hand, from the perspective of where they reside, these concepts are also similar to the knowledge and knowing concepts proposed by Cook and Brown (1999). Their central argument is also similar to the above-mentioned authors in that a full understanding of organizational knowledge can only be achieved by considering it as a social process achieved through an ongoing and recursive interaction between empirical and latent knowledge. This interaction can both provide raw materials for organizational innovations and constraint it.

2.3.4 A synthesis of knowledge-based theory

Table 2-1 provides a summary of key ideas in the knowledge-based view. The main difference between the traditional knowledge perspective and the knowing perspective is the distinction between knowledge and knowing. Meanwhile, the integrated perspective recognizes the existence of both and discusses the interaction between them. Within each perspective, different versions of knowledge-based theory were conceived. Each author makes a particular contribution to the theory. He/she tends to answer a subset of question of the theory while making assumptions about others. Sometimes, their contributions are complemented, sometimes they contradict. In general, debates still hold over what is knowledge (a resource, an action, or both?), what a firm does (creating, transferring, integrating, or application of knowledge?), and what are the roles of and relationships between individuals and organizations in knowledge creation, transfer, integration, and application. Nevertheless, the fundamental idea that knowledge is most important for an organization and ability to acquire, integrate, store, share and apply it the most important capability for building and sustaining organizational competitive advantage remains valid regardless of whether knowledge is transferable commodity or a process of knowing, or both.

The knowledge-based view is not without challenges. Critics of knowledge-based theory mainly focus on whether it is sufficient to explain a firm's behavior. It is not possible to tell why firm exist in the absence of 'opportunism' or 'moral hazard' (which is the basic premise of the contractual approach) (Foss, 1996, 1996). Moreover, it can neither explain firm's boundary nor identity because what happen between firms is similar to what happen within firms (Grandori, 2001; Eisenhardt and Santos, 2002).

Table 2-1: Key ideas in the knowledge-based view

Perspective	Authors	What is knowledge?	What do firms do?	What are the roles of knowledge in firms?
Traditional perspective	Kogut and Zander (1992; 1993; 1996)	Information and know-how, held by individuals but also expressed in 'regularities'	Knowledge creation/ transfer	Valuable/ tacit knowledge have persisting effects on firm performance.
	Nonaka (1994), Nonaka and Takeuchi (1995), Nonaka, Takeuchi, and Umemoto (1996), Nonaka and Toyama (2003)	'Justified true beliefs', consisting of two types: tacit and explicit	Knowledge creation	Knowledge and the capability to create and utilize knowledge are the most important source of a firm's sustainable competitive advantage.
	Grant and Baden-Fuller (1995), Grant (1996a; 1996b; 1997)	'Productive resource', comprises of information, technology, know-how, and skills.	Knowledge integration/ application	Knowledge, esp. tacit knowledge contributes to value added and has strategic importance.
Knowing perspective	Blackler (1995)	Knowledge as knowing, which is something people do	Knowing accomplishment/ knowledge generation	Knowing is important for organizational competitive advantage
	Spender (1992; 1996)	Knowledge as knowing. Knowing is a 'competent goal-oriented activity'.	Knowing production and application	Knowing contributes to sustainable economic rents
	Orlikowski (2002)	Knowledge as knowing, expressed through actions.	Knowledge integration and sharing. Sharing know-how means enabling others to learn	Organizational knowing is essential for organizational effectiveness.
Integrated perspective	Cook and Brown (1999)	Org. knowledge consists of knowledge and knowing. Knowledge is something that people possess. Knowing is something that people do.		The co-existence and interaction between knowledge and knowing is a powerful source for organization innovation
	Hargadon and Fanelli (2002)	Org. knowledge includes latent and empirical knowledge. Latent knowledge is individually held schemata of organizational members which constitutes the precondition for novel actions. Empirical knowledge is physical and social artifacts that surround individuals in organizations.		The ongoing and recursive interaction between latent and empirical knowledge can both enable and constraint the organization's innovations.

Authors of the knowledge-based theories (Conner and Prahalad, 1996; Kogut and Zander, 2003), however, maintain that no theories can exclusively explain a firm's behavior and the issue is whether knowledge or opportunism is a better explanation of it and that firm boundary and identity is relative (Kogut in Grandori and Kogut, 2002).

Despite these criticisms, the knowledge-based view has still become one of the most dominant contemporary thinking and its basic premise on the strategic importance of knowledge has been widely accepted.

2.4 Knowledge-based view of international joint ventures

The proliferation of strategic alliances since the mid 1980s coupled with the interests in the knowledge-based perspective has resulted in a body of literature concerning knowledge and learning in strategic alliances in general and in IJVs, a special form of strategic alliance in particular (e.g. Lyles, 1988; Kogut, 1989; Badaracco, 1991; Hamel, 1991; Crossan and Inkpen, 1995; Inkpen, 1996; Lyles and Salk, 1996; Lane and Lubatkin, 1998; Shenkar and Li, 1999; Si and Bruton, 1999; Inkpen, 2000).

As indicated in chapter 1, a joint venture occurs when two or more partners pull resources together to establish a separate and relatively independent firm. A joint venture, first, is a firm itself. Secondly, a joint venture is a special firm because it represents two or more 'sides' within a single company. Most of the efforts that use knowledge-based perspective to explain the joint venture phenomenon, therefore, focus on the question of why this special form of firm exists.

2.4.1 Kogut's work

Based on the work of Nelson and Winter (1982), Kogut (1988) posited that joint ventures were means by which (parent) firms *learn or seek to retain their capabilities.* Firms consist of a knowledge base, which is not easily diffused across their boundaries. That is why they use joint ventures as means by which to transfer tacit knowledge. 'The market is replaced by the joint venture… because of the necessity of replicating experiential knowledge which is not well understood' (p. 323). For organizational embedded knowledge, such as organizational routines, the transfer is difficult unless the organization itself is replicated. Thus, a joint venture is preferred under two conditions: one or both firms desire to acquire the other's organizational

know-how; or one firm wants to retain its organizational capability while benefiting from the other firm's knowledge. The author also noted that the knowledge-based perspective should explain well joint ventures in industries undergoing rapid structural change due to emergent technologies or the entry of new firms.

2.4.2 Grant and Baden-Fuller's work

Grant and Baden-Fuller (1995) used their version of knowledge-based perspective to explain the rationale for strategic alliances. According to this version, knowledge integration occurs most efficiently within firms. Where knowledge is already embodied in a product, markets can transfer knowledge between supplier and customers efficiently by just transferring the product. When do strategic alliances play a role? In the authors' view, as the markets for knowledge are inefficient, collaborative arrangements may be used to support market contracting in instances where knowledge is imperfectly embodied in products because these arrangements can permit the repeated exchanges of knowledge on the reciprocal basis. As most types of knowledge offer economies of scope, firms are encouraged to diversify their product range in order to gain full utilization of their internal knowledge resources. However, the firm's knowledge domain and its product domain are rarely incongruent. Therefore, firms seek collaborative arrangements with other firms in order to *both utilize its internal knowledge resources and access the knowledge resources of the partner firms*. Entering into such collaborative relationships also allows firms to avoid the long time lag in developing new capabilities internally and share the risks related to the uncertainty in the future knowledge requirements. These collaborative arrangements tend to exist more in industries where scientific and technological advance is rapid.

It can be seen that although Kogut on the one hand, and Grant and Baden-Fuller on the other hand, used different versions of knowledge-based perspective to explain the rationale for joint ventures, they essentially came to the same conclusion: joint venture exist because partners want to utilize their knowledge resources and to learn from each other. In addition, they also pointed out that joint ventures tend to occur more in high-speed industries.

This view is consistent with other authors' works on IJVs. For example, Powell, Koput, and Doerr (1996) noted that interorganizational collaboration in the form of alliances had proliferated because of its potential to provide new sources of knowledge generation that can lead to innovation and technology development. Conner and Prahalad (1996) held that joint ventures

may be practical attempts to integrate different knowledge of the parents and thus, could achieve 'selective intervention', which is a mean by which firms can do better than the markets. Firms pursue equity joint ventures because this organizational arrangement can be more effective vehicles for transferring tacit know-how (Hamel, 1991; Mowery, Oxley, and Silverman, 1996; Steensma and Lyles, 2000). Strategic alliances are essentially a mode of skills acquisition (Hamel, 1991).

While most authors agree on learning motivational rationale for strategic alliances, there are two different views on whether strategic alliances are effective vehicles for such learning. One view is that strategic alliance arrangements provide a good platform for it. Through the shared execution of the alliance task, mutual interdependence and common problem solving, firms can learn with and from their partners (Makino and Inkpen, 2003). In contrast, other researchers refer to the 'pitfall' of knowledge and learning in alliances and networks. For example, Quinn (1992) identified a managerial mindset that took 'alliances give away our future' perspective. Similarly, Mowery et al. (1996), Jarillo and Stevenson (1991), and Inkpen and Beamish (1997) referred to the risk of loosing out critical knowledge, decreasing dependency, partners' increasing bargaining power and thus, leading to the alliance instability. This makes knowledge and learning in strategic alliances in general and in joint ventures in particular a competitive rather than cooperative process. The co-existence of two contrasting views makes research on knowledge and learning in international alliances challenging yet critical for future managers working in the knowledge era.

2.5 Chapter summary and conclusion

The following points are drawn from earlier discussion:

- Knowledge and/or knowing, especially those of tacit type has a strategic importance that can determine firm performance.
- An IJV is a firm. Therefore, its performance also depends on its knowledge/ knowing.
- An IJV is a special firm, established as a result of the parents' motivation to replicate their existing knowledge and/or to acquire new knowledge from the other partner. Thus, knowledge is even more important for IJVs than for other firms.
- In general, a firm's ability to acquire, replicate, integrate, store, share, and apply knowledge/knowing is an important factor for building and sustaining its competitive advantage. For IJVs, this ability is vital.

As knowledge plays such an important role for IJVs, it makes a perfect theoretical sense to study the IJVs' knowledge acquired from their foreign parents. If conditions for effective knowledge acquisition are identified, this research will make a valuable contribution to the literature.

3. Conceptual model and hypotheses

This chapter starts with a review of the current literature on IJVs' knowledge acquisition from foreign parents. Based on that, a conceptual model is proposed. The last section involves a review of the specific literature on each variable and the relationships between them, and proposes of a number of hypotheses.

3.1 Literature on IJVs' knowledge acquisition from foreign parents

3.1.1 Theoretical perspective

As discussed in the previous section, knowledge plays a vital role in IJVs. IJVs' knowledge can come from different sources such as from parents, suppliers, customers, partners, or associates, in which knowledge acquired from foreign parents has attracted a special attention (e.g. Lyles and Salk, 1996; Lyles and Barden, 2000; Lane et al., 2001; Dhanaraj et al., 2004; Thuc Anh et al., 2006). This is because there is a common belief that the primary advantage that a firm brings to foreign markets is its possession of superior knowledge (Kogut and Zander, 2003) and joint ventures are an effective mean to transfer knowledge that is organizationally embedded and difficult to transfer by licensing (Kogut, 1988). However, knowledge transfer from foreign parents to joint ventures is not always effective: the cross-border knowledge spirals can be much more time consuming than either partners can ever anticipate (Simon, 1991). Thus, researchers badly need answers for the question: which factors determine an IJV's effective knowledge acquisition from its foreign parent? Understanding these factors would allow managers to design program that can effectively enhance knowledge acquisition's success.

In seeking an answer for this question, many researchers (e.g. Lane and Lubatkin, 1998; Simonin, 1999; Lane et al., 2001; Simonin, 2004) look at the phenomenon from the cognitive perspective. In this perspective, the IJV is considered as an 'information processing' unit. How much knowledge it acquires is dependent upon the complexity of the knowledge being acquired and the IJV's cognitive capabilities. The IJV's cognitive capabilities are linked closely to the absorptive capacity concept proposed by Cohen and Levinthal (1990). Other researchers (e.g. Dhanaraj et al., 2004; Inkpen and Currall, 2004) look at the phenomenon from the social perspective with a particular emphasis on relationship/ trust between two sides. As noted by

Kogut (in Grandori and Kogut, 2002), knowledge transfer is embedded not only on the capabilities but also the social relationships between both sides of transactions. Relationship is important for know-how trading/ transfer (Kogut and Zander, 1992).

3.1.2 Empirical studies to date

In parallel with theoretical works on IJVs' knowledge acquisition from foreign parents, there is a number of empirical exploration and theoretical testing. These empirical studies play a very important role as they confirm, modify, and improve the theories.

Based on a sample of 201 small/medium-sized IJVs in Hungary, Lyles and Salk (1996) found that an IJV's capacity to learn, its articulated goals, and the degree of involvement of the foreign parents (such as the foreign parent's provision of training, technology and managerial assistance) all affected the IJV's knowledge acquisition from its foreign parent. They also found that cultural conflicts and misunderstandings impeded knowledge acquisition, but only for the IJVs with equal equity arrangements. Their notion of capacity to learn was theorized as closely linked to the concept of absorptive capacity proposed by Cohen and Levinthal (1990), as well as the concept of receptivity proposed by Hamel (1991). The study also pointed out that IJV knowledge acquisition from foreign parent had a significant positive relationship with the IJV performance.

Lyles and Barden (2000) extended Lyles and Salk's study (1996) by incorporating trust and control as prediction of IJV knowledge acquisition from foreign parents and tested their model in a sample of 73 IJVs in Vietnam. They did confirm several positive significant relationships found in Lyles and Salk's (1996) study, such as the relationship between knowledge acquisition and performance and the relationship between foreign parent assistance and knowledge acquisition. However, capacity to learn had a negative significant association with knowledge acquisition. Non-significant relationships were found between articulated goals and knowledge acquisition, between trust and knowledge acquisition, as well as between controls and knowledge acquisition. Note that their measures of trust distinguished between two levels of trust: trust between parents and trust between the IJV and its foreign parent. These measures, however, treated trust as unidimensional.

Revisiting the IJVs studied by Lyles and Salk (1996) three years later, Lane et al. (2001) tested the relationship between different factors representing an IJV's absorptive capacity and the IJV's knowledge acquisition from its foreign parent. They found that relatedness of IJV and foreign parents' businesses, prior knowledge from the foreign parent, IJV flexibility & adaptability, and training by foreign parent were positively associated with IJVs learning. They also found partial supports for the significant relationships between cultural compatibility and knowledge acquisition. Management support by foreign parents, formal goals for IJV, and specialization of IJV's parents were not significantly related to knowledge acquisition. Consistent with the studies by Lyles and Salk (1996), and by Lyles and Barden (2000), knowledge acquisition was found positively significantly associated with performance. Trust between parents was found related to performance but not learning.

In a similar vein, Dhanaraj et al. (2004) tested how relational embeddedness between the foreign parent and IJV managers influences tacit and explicit knowledge transferred to the IJV and the influence of knowledge on IJV performance. Using a sample of 140 small and medium-sized IJVs in Hungary, the authors found that relational embeddedness was important for knowledge transfer and its impact on tacit knowledge was stronger than the impact on explicit knowledge. They also found that explicit knowledge had a positive relationship with IJV performance but surprisingly, tacit knowledge was found as negatively associated with IJV performance.

Drawing on a sample of 173 IJVs in Vietnam, Thuc Anh et al. (2006) investigated the impact of absorptive capacity on knowledge acquisition from foreign parent. They found that three out of six absorptive capacity factors, namely an IJV's investment in training, employees' ability to learn, and joint participation between foreign and local personnel within the IJV contributed substantially to the knowledge, especially tacit knowledge, acquired from the IJV's foreign parent. A partial support was also found for the positive association between relatedness and knowledge acquisition. In contrast to the study of Dhanaraj et al. (2004), they found that explicit knowledge had a non-relationship whereas tacit knowledge had a positive significant relationship with IJV performance.

A summary of previous empirical findings is presented in **Table 3-1**.

Table 3-1: A summary of empirical studies on determinants of IJV knowledge acquisition from foreign parent

Authors	Theoretical lens	Controls/mediators	Independent variables	Dependent variable	Findings
Lyles & Salk (1996)	Organizational learning	- Ownership - Size - Age	- Capacity to learn - Articulated goals - Active involvement of Foreign parent: - Conflict and misunderstanding	Knowledge acquisition	(+) (+) (+) (-) only with 50/50 equity IJVs
Lyles and Barden (2000)	Organizational learning	- Size - Age	- Relatedness between an IJV and its parent - Capacity to learn - Articulated objectives - Assistance by Foreign parent: - Trust between IJV parents - Trust between the Foreign parent and the IJV - Social controls - Formal controls	Knowledge acquisition	 (-) (+)
Lane et al. (2001)	Organizational learning	- Percentage of IJV sales exported - IJV size - Volatility of domestic market demand - Service industry	*Absorptive capacity* - Trust between IJV's parents - Cultural compatibility with foreign parents - Prior knowledge from Foreign parent - Relatedness of IJV and Foreign parents' businesses	Knowledge acquisition	 (+) (partial) (+) (+)

Table 3-1: A summary of empirical studies on determinants of IJV knowledge acquisition from foreign parent (con't)

Authors	Theoretical lens	Controls/mediators	Independent variables	Dependent variable	Findings
Lane et al. (2001) (con't)			- IJV flexibility & Adaptability - Management support by foreign parents - Training by foreign parents - Formal goals for IJV - Specialization of IJV's Parents	Knowledge acquisition	(+) (+)
Dhanaraj et al. (2004)	Organizational learning/ economic sociology	- IJV size - Manufacturing dummy - Foreign equity - Brand strategy - SOE - Parent IJV relatedness	*Relational Embeddedness* - Parent-IJV tie strength - Trust between IJV and its foreign parent - Shared systems	Explicit and tacit knowledge	 (+) (+) only for tacit knowledge (+)
Thuc Anh et al. (2006)	Knowledge-based theory	- IJV age - Equity split - Sectoral group	*Absorptive capacity* - Relatedness - Investment in training - Ability to learn - Cultural distance - Joint participation - Written goals & plans	Explicit and tacit knowledge	 (+) (+) (+) (+)

Notes: (+) Positive relationship (-) Negative relationship Blank: No significant relationship

Together, empirical studies pointed out the importance of the following factors for IJV knowledge acquisition from foreign parents:

- The IJV's learning capacity/ absorptive capacity
- The IJV's foreign parent's assistance
- The trust and/or conflicts between two parents
- The trust between the IJV and its foreign parent(s).

These findings are consistent with the theoretical perspective and with a number of empirical studies on knowledge transfer in different contexts, such as knowledge transfer between partner firms in strategic alliances/ IJVs (e.g. Hamel, 1991; Crossan and Inkpen, 1995; Inkpen, 1996; Mowery et al., 1996; Inkpen, 1998; Lane and Lubatkin, 1998; Si and Bruton, 1999; Simonin, 1999; Inkpen, 2000; Simonin, 2004) and knowledge transfer within multinational corporations (e.g. Szulanski, 1996; Gupta and Govindarajan, 2000; Minbaeva, Pedersen, Bjorkman, Fey, and Park, 2003). In these contexts, knowledge acquisition/ transfer is also found to be affected by the recipient unit's absorptive capacity, the source unit's supports and the relationship between them.

Except Lyles and Barden's study (2000), the above mentioned empirical studies on IJV knowledge acquisition from foreign parents share the same weakness: they either focuses only on the cognitive aspect (Lyles and Salk, 1996; Lane et al., 2001; Thuc Anh et al., 2006) or the social aspect (Dhanaraj et al., 2004). Therefore, a full picture of knowledge acquisition in light of possible effects of all independent variables cannot be seen. Lyles and Barden (2000) made a good attempt to provide an integrated model but they missed an important element: their measure of trust did not capture its multi-dimensionality. It is possible that this is the reason why they failed to find out the direct relationship between trust and learning. As will be seen later (in section 3.3.4.1), scholars have agreed that trust should be conceptualized as a multi-dimensional construct and only in that case, we can be confident in interpreting the relationship between trust and knowledge acquisition. This doctoral research contributes by proposing an integrated model linking IJV knowledge acquisition, its important antecedents, and IJV performance that takes into account the most recent development found for each of the dependent and independent variables.

3.2 Conceptual model

Figure 3-1 shows the conceptual model underlying the research project of this thesis. It is built on the literature summarized in section 3.1.

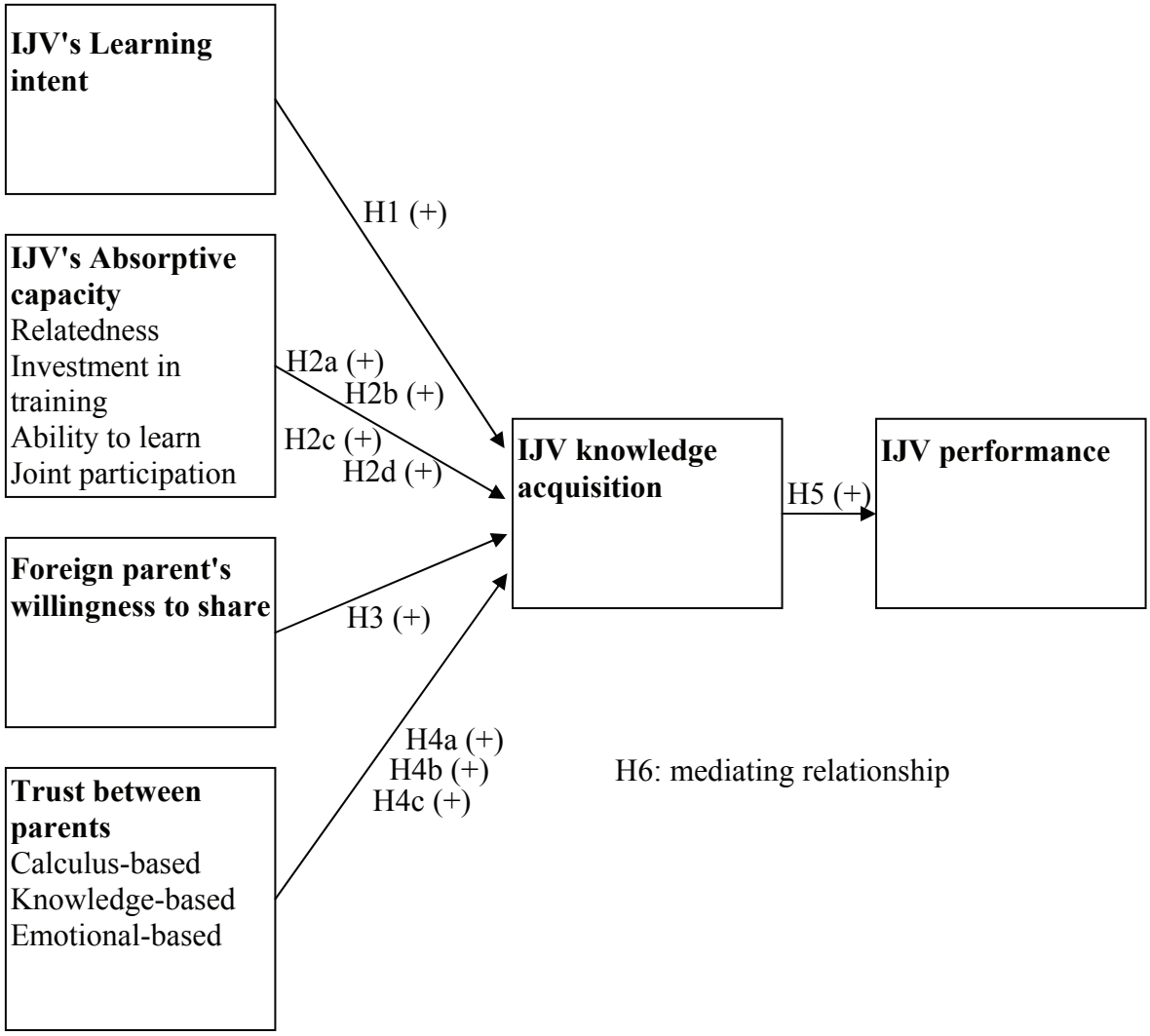


Figure 3-1: The conceptual model

In this proposed model, an IJV's knowledge acquisition from its foreign parent is determined by a number of independent variables: the IJV's learning intent, its absorptive capacity, the foreign parent's willingness to share knowledge, and trust between the IJV's parents. Absorptive capacity and trust have been emphasized in previous empirical research on IJV knowledge acquisition from foreign parents (Lane et al., 2001; Dhanaraj et al., 2004; Thuc Anh et al., 2006). Foreign parent's willingness to share knowledge is a reflection of foreign parent's assistance which has also been addressed by previous research (Lyles and Salk, 1996; Lyles and Barden, 2000). Learning intent of the knowledge recipient was mentioned in studies of knowledge

acquisition in other contexts (e.g. Hamel, 1991; Simonin, 1999) and is extended to IJV learning from its foreign parent in this study. The IJV knowledge acquisition from foreign parent, in turn, determines its performance. The model also suggests that an IJV knowledge acquisition is a primary lens through which knowledge acquisition predictors have indirect impacts on the IJV performance. The next section provides detailed literature review on each variable and their relationships, based on which a number of hypotheses is proposed.

3.3 Hypotheses

3.3.1 Learning intent and knowledge acquisition

Nonaka and Takeuchi (1995) contended that learning intent is a condition for knowledge creation. Intent refers to 'a firm's initial propensity to view collaboration as an opportunity to learn' (Hamel, 1991, p. 89-90). It captures the desire to internalize a partner's skills and competencies. Without intention, it would be impossible to judge the value of the information or knowledge perceived or created (Nonaka, 1994). As Hamel (1991, p. 92) put it: 'learning took place by design rather than default'. However, as noted by Simonin (2004), strong rationales for entering into an alliance do not necessarily correspond to a strong learning intent. While rationales for entering into alliances are numerous, research has identified that learning may just be the reason to enter into an alliance for some firms. This means that firms differ in their level of learning intent. Some firms may not have any intentions to learn at all. In this case, some people still argue that firms learn whether consciously or not (Romme and Dillon, 1997; Beeby and Booth, 2000). Thus, I hypothesize:

> *H1: An IJV's learning intent is positively associated with its level of knowledge acquisition from the foreign parent.*

3.3.2 Absorptive capacity and knowledge acquisition

3.3.2.1 Absorptive capacity

As discussed in section 3.1.2, absorptive capacity is found by many studies as one of the most important factors explaining the variance in knowledge acquisition.

Absorptive capacity was first introduced by Cohen and Levinthal (1990). There are many definitions of absorptive capacity, but probably the most widely cited is that of the authors: 'the ability to recognize the value of new, external information, assimilate it and apply it to commercial ends' (Cohen and Levinthal, 1990, p.128).

Absorptive capacity is a multi-level construct. There can be individual, group, organizational, and inter-organizational absorptive capacities. As this study is about IJV learning from its foreign parent, it focuses on the organizational level.

Organizational absorptive capacity rests on individuals' absorptive capacities but it is not simply the sum of individuals' absorptive capacities. Aspects that make absorptive capacity distinctly organizational include the structure of communication between the external environment and the organization as well as among the subunits of the organization, and the character and distribution of expertise within the organization itself (Cohen and Levinthal, 1990).

Organizational absorptive capacity is a multi-component construct. **Table 3-2** illustrates different components, their definitions, and sub-components proposed by different authors. For alliance learning, Lane and Lubatkin (1998) and Lane et al (2001) suggested three dimensions based on Cohen and Levinthal's (1990) original definition: (1) the ability to understand new external knowledge, (2) the ability to assimilate it, and (3) the ability to apply it to commercial end. In their absorptive capacity models, each of these components includes several distinct sub-components. Minbaeva et al. (2003) suggested that in the context of knowledge transfer within multinational corporations, an organization's absorptive capacity should be comprised of its employees' ability and motivation. Zahra and George (2002) reconceptualized the construct as a dynamic capability. According to them, absorptive capacity is a set of organizational routines and processes, by which firms acquire, assimilate, transform, and exploit knowledge to produce a dynamic organizational capability. This definition implies that the organizational absorptive capacity includes four components: (1) acquisition, (2) assimilation, (3) transformation, and (4) exploitation capabilities. Their model provides a promising avenue for research on absorptive capacity yet is not specially designed for IJVs and has not been empirically tested.

Table 3-2: Absorptive capacity components

Authors	Components	Definition	Sub-components (Factors)	Notes
Zahra & George (2002)	Acquisition capability	A firm's capability to identify and acquire externally generated knowledge that is critical to its operations	• Prior investment • Prior knowledge • Intensity • Speed • Direction	Not yet empirically tested
	Assimilation capability	A firm's routines and processes that allow it to analyze, process, interpret, and understand the information obtained from external sources	• Understanding	
	Transformation capability	A firm's capability to develop and refine the routines that facilitate combining existing knowledge and the newly acquired and assimilated knowledge	• Internalization • Conversion	
	Exploitation capability	A firm's capability to refine, extend, and leverage existing competencies or to create new ones by incorporating acquired and transformed knowledge into its operations	• Use • Implementation	
Cohen & Levinthal (1990)	Ability to recognize the value of new external knowledge Ability to assimilate new external knowledge Ability to apply new external knowledge	<u>At individual level:</u> • Prior related knowledge • Intensity of Efforts <u>At organizational level:</u> • Structure of communication (intra and interorganizational) • Character and distribution of expertise and knowledge within the organization		Absorptive capacity is measured by a single item (R&D intensity) and tested in the context of American manufacturing firms

Table 3-2: Absorptive capacity components (con't)

Authors	Components	Definition	Sub-components (Factors)	Notes
Lane & Lubatkin (1998): Apply Cohen & Levinthal's (1990) 3 dimensions	Ability to recognize and value new external knowledge		• Relevance of the student firm's basic knowledge to the teacher firm's knowledge base • Relevance of the student firm's specialized knowledge to the teacher firm's knowledge base	Tested in the context of R&D alliances between pharmaceutical and biotechnology companies in the U.S.
	Ability to assimilate new external knowledge		• Similarity of the student firm's and teacher firm's compensation practices • Similarity of the student firm's and teacher firm's organization structures	
	Ability to commercialize new external knowledge		• Similarity of the student firm's and teacher firm's dominant logics	
Lane, Salk, & Lyles (2001): Apply Cohen & Levinthal's (1990) 3 dimensions	Ability to understand external knowledge		• Trust between IJV's parents • Cultural compatibility with foreign parents • Prior knowledge from Foreign parent Relatedness of IJV and Foreign parents' businesses	Tested in the context of IJVs learning from foreign parents in Hungary

Table 3-2: Absorptive capacity components (con't)

Authors	Components	Definition	Sub-components (Factors)	Notes
Lane, Salk, & Lyles (2001): Apply Cohen & Levinthal's (1990) 3 dimensions	Ability to assimilate external knowledge	Assimilating foreign parent knowledge is a sense-making process whereby the IJV connects the new knowledge to its existing knowledge	• IJV flexibility & Adaptability • Management support by foreign parents • Training by foreign parents • Formal goals for IJV • Specialization of IJV's Parents	Tested in the context of IJVs learning from foreign parents in Hungary
	Ability to apply external knowledge. (This ability was hypothesized to affect performance but not learning)	The ability to diffuse knowledge within the organization, to integrate it with the organization's activities, and to generate new knowledge from it	• IJV's Business Strategy • IJV's training Competence	
Minbaeva et al. (2003)	Employee's ability	Employee's ability represent prior related knowledge	• Employee's ability	Tested in the context of MNCs knowledge transfer
	Employee's motivation	Employee's motivation represents intensity of efforts	• Employee's motivation	
Thuc Anh et al. (2006): Apply Cohen & Levinthal's (1990) 3 dimensions	Ability to recognize the value of new external knowledge		• Relatedness between IJV and foreign parent's business • Investment in training	Tested in the context of IJVs learning from foreign parents in Vietnam
	Ability to assimilate new external knowledge		• Employees' ability to learn • Cultural distance	
	Ability to apply new external knowledge		• Joint participation • Written goals & plans	

Thuc Anh et al. (2006) proposed an integrated model of absorptive capacity that took into account the most recent developments in construct building as well as its most relevant features in the IJV learning context. The model consists of three components as originally conceptualized by Cohen and Levinthal (1990) with each component represented by two factors.

- The first component of absorptive capacity, the ability to recognize the value of new external knowledge, comprises of relatedness between an IJV and its foreign parent's business and the IJV's investment in training. Relatedness between an IJV and its foreign parent's business represents the IJV's prior knowledge related to the foreign parent's capabilities and skills. The IJV's investment in training represents the IJV's intensity of efforts put forward to learning. These factors are believed to be important for the IJV in order to recognize the value of new external knowledge.
- The second component, the ability to assimilate new external knowledge, consists of the IJV employees' ability to learn and the cultural distance between partners. While ability to learn directly reflects the ability to assimilate new knowledge, cultural distance serves as the context that facilitates or inhibits this ability.
- The third component, the ability to apply new external knowledge, is represented by joint participation of local personnel and expatriates in IJV activities and the IJV's written goals and plans. Joint participation provides opportunities for knowledge diffusion as well as opportunities to immediately integrate new knowledge into the IJV activities. Written goals and plans serve as an organizational tool to facilitate knowledge application. Together, these two factors reflect not only the IJV's ability to apply new knowledge but also the organizational mechanisms through which assimilated knowledge can be applied.

As already mentioned earlier in this chapter, when testing the impact of absorptive capacity on knowledge acquisition from foreign parents in the context of IJVs in Vietnam, the authors found strong supports for the relationship between (1) relatedness, (2) investment in training, (3) employees' ability to learn, and (4) joint participation and knowledge acquisition. Very marginal support was found for the relationship between written goals & plans and knowledge acquisition. The relationship between cultural distance and knowledge acquisition was not supported.

While all of six factors representing absorptive capacity could have been integrated in the new conceptual model proposed in this study, the incorporation of many variables would complicate the model. This would later require too big of a sample size. I therefore, selected only important factors and build hypotheses for those only.

3.3.2.2 Links to knowledge acquisition

Relatedness

Cohen and Levinthal (1990) contend that prior related knowledge is necessary for an organization to identify the value of new external knowledge. Prior related knowledge is described by the authors as various related knowledge domains, basic skills and problem solving methods, prior learning experience and learning skills, and a shared language. Knowledge transfer requires a shared coding scheme and firms learn in areas closely related to their existing practice (Kogut and Zander, 1992). Similarly, Zahra and George (2002) posited that prior related knowledge is a part of a firm's acquisition capability described as the firm's capability to identify and acquire externally generated knowledge. Likewise, Eriksson and Chetty (2003) argued that a firm's prior experience contributed to its absorptive capacity.

As relatedness between an IJV and its foreign parent business gives the IJV some prior knowledge of the industry, products, and customers that are related to the knowledge held by their foreign parent, it can be used as a proxy for prior related knowledge. Indeed, business relatedness has been addressed in the IJV learning literature (Lane and Lubatkin, 1998; Merchant and Schendel, 2000; Lane et al., 2001; Hanvanich, Richards, Miller, and Cavusgil, 2005) as having the potential to affect an IJV's knowledge acquired from its foreign parent. Therefore:

> *H2a: Relatedness between an IJV and its foreign parent business is positively associated with the IJV's level of knowledge acquisition from the foreign parent.*

Investment in training

It is important to recognize that merely having related knowledge is insufficient and intensity of efforts for learning is critical for recognizing the value of new external information (Cohen and Levinthal, 1990; Kim, 2001). As noted by Inkpen (2000), some firms take a very aggressive approach to knowledge acquisition in alliances, while others evidence a more passive approach. Intensity of efforts is defined as 'effort expended in knowledge acquisition routines' (Zahra and George, 2002, p. 189). A direct measure of this effort would be investment in training. Committing financial and other resources to support the acquisition and sharing of information can build a learning capacity which may help to overcome barriers to knowledge transfer

(Simonin, 1999). Such investments may be especially important for knowledge transfer to developing countries, reflecting greater needs for technical support and adaptation (Contractor, 1980).

H2b: An IJV's investment in training is positively associated with its level of knowledge acquisition from the foreign parent.

Employees' ability to learn

Zahra and George (2002) asserted that measures of a firm's absorptive capacity must capture its members' capabilities. Taking this insight, Minbaeva et al. (2003) posited that a subsidiary's employees' ability is a critical component of the subsidiary's absorptive capacity and is needed to facilitate the transfer of knowledge from multinational corporations to the subsidiary itself. Extending the argument to IJV context, an IJV's absorptive capacity must also reside in its employees' ability, and employees' ability to learn will influence the IJV' level of knowledge acquired from the foreign parent. Thus,

H2c: An IJV's employees' ability to learn is positively associated with the IJV's level of knowledge acquisition from its foreign parent.

Joint participation

The structuring of tasks, decision-making authority, and interaction patterns devised for the IJV may enlarge or limit the window of opportunity for knowledge flow. At one extreme, the alliance may be crafted to facilitate high levels of joint collaboration and extensive exchange of information. At the other extreme, alliances may involve a more modularized approach, in which certain activities or component production by one party are 'walled off' from the other (Hladik, 1988; Moxon, Roehl, and Truitt, 1988). As noted by Cohen and Levinthal (1990), pushing specialization too far may undermine communication and learning. To the extent that the host country members of the IJV are simply following the directives of the foreign parents, they may not be exposed to the diverse information, new perspectives, or opportunity to practice new patterns and associations.

A requirement for applying complex organizational knowledge may be the active engagement of both parties. Structures that diffuse decision influence and reduce the distance between strategic decisions and the operational bases of strategic problems can facilitate learning (Fiol and Lyles, 1985;

Shrivastava, 1986). The involvement of joint venture's local personnel in shared activities and decisions with the expatriates should provide a larger window into the knowledge and understandings held by the foreign parent organization. Indeed, the choice of the joint venture form rather than more arms-length, market-based alliance form may reflect a need to develop a more integrated relationship conducive to learning (Mowery et al., 1996). Thus,

> *H2d: Joint participation of local personnel with expatriates in shared activities of an IJV is positively associated with the IJV's level of knowledge acquisition from its foreign parent.*

3.3.3 Foreign parent's willingness to share and knowledge acquisition

Knowledge exchange is subject to the willingness to share of the 'teacher' side (Simonin, 1999; Steensma and Lyles, 2000). It is not always the case that the learner has access to what he/she wants to learn because of two reasons: (1) the knowledge bearer may loose power and (2) the knowledge bearer looses control over the knowledge once it is transferred to the acquirer since this person can 'resell' the knowledge easily. While property rights and contracts provide some protection, the knowledge is not absolutely protected as it is difficult and costly to draft contractual protections (Nickerson and Zenger, 2003). Thus, there is always an 'opportunistic' element in knowledge exchange and this opportunism may discourage actors from sharing knowledge.

Tendency to act opportunistically is prevalent in joint ventures' partners (Parkhe, 1993; Steensma and Lyles, 2000). The foreign parent may intentionally limit the knowledge flow to the IJV because cooperation through IJVs can be a low cost way for the local parents to gain competencies that later help the local parents compete against the foreign parent firms (Hamel et al., 1989; Simonin, 1999; Steensma and Lyles, 2000; Simonin, 2004). At the same time, the foreign parent may also be under the pressure of transferring knowledge to the IJV because the IJV success can confirm the rightness of its internationalization strategy and strengthen its position in the local market. As noted by Steensma and Lyles (2000), joint ventures are commonly used by multinational firms as means by which to enter uncertain yet high-potential transitioning markets. Thus,

> *H3: The foreign parent's willingness to share knowledge with the IJV is positively associated with the IJV's level of knowledge acquisition from its foreign parent.*

3.3.4 Trust and knowledge acquisition

3.3.4.1 Trust

Trust has long been recognized as an important issue in the studying of IJVs. In a seminal work on trust in IJVs, Madhok (1995) called for a shift from an emphasis on ownership to relationship, from outcome to the social process based on trust.

There are many operational definitions of trust. For examples, trust is 'the perceived likelihood of the other not behaving in a self-interested manner' (Madhok, 1995, p. 119), 'the willingness of a party to be vulnerable to actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party' (Mayer, Davis, and Schoorman, 1995, p. 712), 'the decision to rely on another joint venture party under the condition of risk' (Inkpen and Currall, 2004, p. 588), 'a state involving confident positive expectations about another's motives with respect to oneself in situations entailing risk' (Boon and Holmes, 1991, p. 194; Lewicki and Bunker, 1995; Das and Teng, 1998), 'the expectation that the promise of another can be relied on and that, in unforeseen circumstances, the other will act in a spirit of cooperation with the trustor' (Hagen and Choe, 1998, p. 589-590) etc. These definitions share two key elements: trust is about 'confident expectations' and 'willingness to be vulnerable'. Based on this, Rousseau, Sitkin, Burt, and Camerer (1998, p. 395) proposed a complete definition of trust: 'Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another'. The authors also note two conditions for trust to arise: risk and interdependence. Trust does not have meaning if the situation is risk-free and if involved parties are independent.

Like absorptive capacity, trust is complex construct to study. It is multi-level. Trust starts with individual level but recently authors have proposed that trust can be viewed as a firm level construct (e.g. Bhattacharya, Devinney, and Pillutla, 1998; Das and Teng, 1998; Hagen and Choe, 1998; Das and Teng, 2001; Inkpen and Currall, 2004). Since organizations are made up by individuals, and since individuals are both origins and objects of trust, it seemed justified to conceptualize interorganizational trust as the attitude held collectively by members of an organization towards the other organization (Zaheer, McEvily, and Perrone, 1998).

Increasingly, trust is being conceptualized as a multidimensional construct (e.g. Rempel, Holmes, and Zanna, 1985; Shapiro, Sheppard, and Cheraskin, 1992; Lewicki and Bunker, 1995; Mayer et al., 1995; McAllister, 1995; Johnson, Cullen, Sakano, and Takenouchi, 1996; McKnight, Cummings, and Chervany, 1998; Rousseau et al., 1998; Das and Teng, 2001; Nguyen, 2005).

Several authors identify different dimensions of trust based on the trustee's characteristics:

- Competence trust (e.g. Gabarro, 1978; Barber, 1983; Nooteboom, Berger, and Noorderhaven, 1997; Das and Teng, 2001) is described as 'the expectation of technically competent role performance' (Barber, 1983, p. 14), 'partner's ability to perform according to the intentions and expectations of a relationship' (Nooteboom et al., 1997, p. 311). It is the belief that the partner actually is capable to do something. Competence is also referred to as 'ability' and 'expertise' (Mayer et al., 1995).
- Benevolence (e.g. Mayer et al., 1995; Johnson et al., 1996; Doney and Cannon, 1997; Blois, 1999) is 'the extent to which a trustee is believed to want to do good to the trustor, aside from the egocentric profit motive' (Mayer et al., 1995, p. 718). It is the extent to which a firm believes that its partner has good intentions and will behave in a fashion beneficial to it and to the relationship. Benevolence trust is similar to goodwill trust (Ring & Van De Ven, 1992; Das and Teng, 2001).
- Integrity (e.g. Mayer et al., 1995; Creed and Miles, 1996; Johnson et al., 1996) is 'the trustor's perception that the trustee adheres to a set of principles that the trustor finds acceptable' (Mayer et al., 1995, p. 719). It refers to the match between a partner's declared intentions and its actual course of action. Integrity is similar to different terms for trust such as responsibility (Barber, 1983) and dependability (Rempel et al., 1985).

Identifying trust dimensions based on trustee's characteristics can create confusion between trust and trustworthiness. Trustworthiness means being worthy of having trust placed in one (Barney and Hansen, 1994). The difference between trust and trustworthiness is that the former is the *perceived* qualities and intentions of the trustee while the latter is about the trustee's *actual* qualities and intentions (McEvily, Perrone, and Zaheer, 2003).

A number of other authors identify trust dimensions by considering the sources of trust originated from the trustor's side:

- Calculation-based trust (Coleman, 1990; Williamson, 1993; Lewicki and Bunker, 1995; McKnight et al., 1998; Rousseau et al., 1998) is trust that emerges when the trustor perceives that the trustee intends to perform an

action that is beneficial (Rousseau et al., 1998). This type of trust is derived from a calculation of the cost and benefits of staying in the relationships as compared to the costs and benefits of cheating on or breaking the relationship (Lewicki and Bunker, 1995). Central to this form of trust is behavior control: 'I trust you because I can control what I want you to do and eliminate the risk of your unpredictability' (Lewicki and Bunker, 1995, p.153). Calculation-based trust reflects both deterrence-based trust (Shapiro et al., 1992; Rousseau et al., 1998), which is the trust based on the costly sanctions resulted from a breach of trust, and institutional-based trust (Zucker, 1986; Shapiro, 1987; Hagen and Choe, 1998), which is the trust based on the effectiveness of an institutional context in the monitoring and sanctioning of social behavior.

- Knowledge-based trust (Shapiro et al., 1992; Lewicki and Bunker, 1995; McKnight et al., 1998) is the trust based on the trustor's knowledge or understanding of the trustee's qualities and intentions. This knowledge/ understanding are based on the trustor's past experience in interacting with the trustee or the trustee's reputation. The knowledge-based trust concerns with the degree to which the trustee's behavior is predictable to the trustor. Unlike calculation-based trust, knowledge-based trust is founded on information, not control: 'I trust you because I know enough about you to know what you will do, even if I can or will not try to control it' (Lewicki and Bunker, 1995, p.153). This type of trust reflects the relational trust (Rousseau et al., 1998) which is the trust based on the information available to the trustor from within the relationship itself. Knowledge-based trust also captures different trust dimensions categorized according to characteristics of trustees such as competence, benevolence, integrity, and goodwill (Das and Teng, 2001) because all of these types of trust concern the trustee's qualities and intentions.
- The identification- or emotional-based trust (Shapiro et al., 1992; Lewicki and Bunker, 1995; McEvily et al., 2003) is the trust that based on a full internalization of the other party's desires and intention. It emerges when both parties identify themselves with similar needs and values, that is they 'effectively understand, agree with, and endorse each other's wants; this mutual understanding is developed to the point that each can effectively act for the other' (Lewicki and Bunker, 1995, p.151). There are a lot of appreciation, supports, and encouragement going on between the trustor and the trustee. An analogy for this type of trust would be 'I trust you because we think, feel, and respond like each other'. Identification-based trust is similar to McAllister's (1995) affect-based trust.

Table 3-3 summarizes the trust dimensions found in the literature, their meanings, and sources.

Table 3-3: Types of trust

Bases of categorization	Types of Trust	Meaning	Authors	Notes
The trustee's characteristics	Competence	Perception about the trustee's ability to perform in line with the intentions and expectations of the relationship.	Gabarro (1978); Barber (1983); Nooteboom et al. (1997); Das and Teng (2001).	Similar to ability trust (Mayer et al., 1995)
	Benevolence	Perception that the trustee want to do good to the trustor and for the relationship	Mayer et al. (1995); Johnson et al. (1996); Doney and Cannon (1997); Blois (1999).	Similar to goodwill trust (Van De Ven1992; Das and Teng, 2001)
	Integrity	Perception that the trustee adheres to a set of principles that the trustor finds acceptable	Mayer et al. (1995); Johnson et al. (1996); Creed and Miles (1996).	Reflects responsibility trust (Barber, 1983) and dependability trust (Rempel et al., 1985)
The trustor's sources of trust	Calculation-based	Trust based on calculation of costs and benefits associated with having a relationship.	Coleman (1990); Williamson (1993); Lewicki and Bunker (1995); McKnight et al. (1998); Rousseau et al. (1998), Nguyen (2005).	Reflects deterrence-based trust (Shapiro et al., 1992; Rousseau et al., 1998) and institutional-based trust (Zucker, 1986; Shapiro, 1987; Hagen and Choe, 1998)
	Knowledge-based	Trust based on the trustor's knowledge about the trustee to accurately predict the trustee's likely behavior	Shapiro et al. (1992); Lewicki and Bunker (1995); McKnight et al. (1998); Nguyen (2005).	Captures dimensions of trust categorized according to the trustee's characteristics.
	Identification-based	Trust based on shared understandings and values.	Shapiro et al. (1992); Lewicki and Bunker (1995); McEvily et al. (2003); Nguyen (2005).	Reflects also the affect-based trust proposed by McAllister's (1995).

The three types of trust categorized based on the trustor's side cover most elements of trust discussed in the literature (e.g. Zucker, 1986; Shapiro, 1987; Shapiro et al., 1992). Moreover, Nguyen (2005) has found that these three types of trust are present in interfirm relationship in Vietnam. This is important because context is critical to understanding trust (Rousseau et al., 1998). As noted by Zaheer and Zaheer (2006), there is a systematic difference in the levels, nature and objects of trust across countries. Thus, following Lewicki and Bunker's (1995) and Nguyen (2005), I also conceptualize trust as comprising of calculation-, knowledge-, and identification-based types.

3.3.4.2 Links to knowledge acquisition

Scholars (Kostova, 1999; Lane et al., 2001; Berdrow and Lane, 2003; Dhanaraj et al., 2004) propose that trust plays an important role in knowledge exchange in IJVs. If partners trust each other, a higher level of knowledge gained from each other can be expected. Szulanski (1996) found that successful knowledge transfer depends on the quality of the relationship between the transferor and transferee.

Trust encourages knowledge sharing by increasing the knowledge source' disclosure of knowledge and by reducing the knowledge recipient's screening of received knowledge (McEvily et al., 2003). From the knowledge source's perspective, trust in the knowledge recipient would reduce concern about knowledge appropriation and misuse. 'When two parties begin to trust each other, they become more willing to share their resources without worrying that they will be taken advantage of by the other party' (Tsai and Ghoshal, 1998, p. 467). In contrast, from the perspective of knowledge recipient, trust affects the perceived veracity of knowledge. When knowledge comes from a trusted source, the knowledge recipient does not have to spend time and efforts on verifying the accuracy and validity of knowledge. Rather, they can immediate act on the knowledge and use it to generate additional knowledge (McEvily et al., 2003). Thus, a high trust environment enables free exchange of information and increase learning opportunities (Inkpen and Currall, 2004).

Calculation-based trust

Calculation-based trust between two parents emerges when each side perceives that the other has positive intentions based on calculations of costs and benefits.

In knowledge transactions, the local parent's calculation-based trust in the foreign parent comes out of the local parent's perception of the foreign parent's intentions based on the local parent's calculation of costs and benefits (for the foreign parent) associated with the knowledge transactions. Specifically, the benefits could be having a successful IJV (by learning from the foreign parent) and the costs could be loosing critical knowledge to the local parent through the IJV. If the local parent calculation shows that benefits for the foreign parent exceed the costs, the local parent will expect positive intentions from the foreign parent. For example, the local parent could expect that the foreign parent does not cheat in knowledge exchange. This corresponds to a high level of the local parent's calculation-based trust in the foreign parent. In this case, the local parent will accept the knowledge transferred from the foreign parent without spending efforts on verifying it. Thus, knowledge would flow from the foreign parent to the IJV more smoothly and efficiently, enhancing the level of knowledge acquired. On the other hand, if the local parent's calculation shows that the benefits of having a successful IJV for the foreign parent is lower than the costs of loosing critical knowledge (which corresponds to a low level of the local parent's calculation-based trust in the foreign parent), the local partner may not trust the knowledge transferred from the foreign parent. The local parent will have to spend time and efforts in verifying foreign parent's knowledge, reducing the efficiency of knowledge flow, and hence, the level of knowledge acquired.

The foreign parent's calculation-based trust in the local parent comes out of the foreign parent's perception of the local parent's intentions based on the foreign parent's calculation of costs and benefits (for the local parent) associated with knowledge exchange. These costs and benefits are derived from the fact that the local parent could either use the foreign parent's transferred knowledge in a way that is beneficial/ not harmful to the foreign parent or misuse it. If the foreign parent believes that the local parent has positive intentions (which corresponds to a high level of the foreign parent's calculation-based trust in the local parent), the foreign parent will be willing to give the IJV's a full access to its knowledge. This will lead to the IJV's higher level of knowledge acquisition. On the contrary, if the foreign parent believes that the local parent may have negative intentions (which correspond to a low level of the foreign parent's calculation-based trust in the local parent); it had better protected its knowledge. Thus, a low level of the IJV's knowledge acquired from the foreign parent can be expected.

In both cases, a high level of calculation-based trust leads to a high level of the IJV's knowledge acquisition from its foreign parent. Thus, I hypothesize:

H4a: Calculation-based trust between two parents is positively associated with the IJV's level of knowledge acquisition from its foreign parent.

Knowledge-based trust

As discussed earlier, knowledge-based trust captures the trustee's qualities and intentions. Qualities and intentions can include the trustee's ability, benevolence, integrity, reliability etc. A high level of knowledge-based trust between parents means that each side knows that the other side is in good quality and have good intentions in any, including knowledge-related transactions. Once knowing so, the foreign parent would not worry about the local parent's and/or the IJV's misuse of its knowledge, hence it can give the IJV access to its knowledge base. On the other hand, the local parent would have a strong motivation as well as confidence in encouraging the IJV to learn from the foreign parent because it knows that the foreign parent's knowledge is good and the foreign parent would not transfer false knowledge. Kostova (1999) suggests that high perceived reliability of the source would have a positive effect on the success of strategic practice transfers. Likewise, Szulanski (1996) argues that low reliability of the knowledge source, as perceived by the knowledge acquirer, is likely to result in the acquirer's resistance to the advice and example rendered by the source. These examples suggest that a higher level of knowledge-based trust would lead to a higher level of knowledge acquisition. I hypothesize:

H4b: Knowledge-based trust between two parents is positively associated with the IJV's level of knowledge acquisition from its foreign parent.

Identification-based trust

The identification-based trust between two parents, at its highest level, can be found when both sides share the same needs and values. They think and feel in the same way and can act on behalf of each other. Normally, as identification intensifies, the attachments and commitments will be stronger because one will expect that the other will behave in accordance with the shared values and goals. Once partners are committed, they are more willing to invest time, effort and resources in achieving the common goals (McEvily et al., 2003). One form of resource investment from the foreign parent side could be to transfer more and/or more important knowledge. One form of investment from the local parent side could be putting more time and effort in

learning. More efforts from both sides would lead to a higher level of knowledge acquisition. Moreover, if two parents are identified, the likelihood of having misunderstandings among the parents and between the IJV and its foreign parents would be low, communication is much easier, and cooperation is much more facilitated. Better communication and cooperation would result in a higher level of knowledge acquisition. (Kogut and Zander, 1993) noted that a shared coding scheme is necessary for knowledge transfer. Thus,

> *H4c: Identification-based trust between two parents is positively associated with the IJV's level of knowledge acquisition from its foreign parent.*

3.3.5 Knowledge acquisition and performance

Although theorists (Nelson and Winter, 1982; Winter, 1987; Hedlund, 1994) suggested that knowledge is a key determinant of firm performance, with some exceptions (e.g. Lyles and Salk, 1996; Si and Bruton, 1999; Lane et al., 2001; Thuc Anh et al., 2006), empirical research has not yet confirmed this argument in the context of IJVs. Moreover, though knowledge acquisition is considered very important, its relationship with firms' performance is still questionable since the strategic value of the knowledge acquired to the firms' situation is sometimes not fully understood. I hypothesize:

> *H5: An IJV's level of knowledge acquisition from its foreign parent is positively associated with the IJV's performance.*

3.3.6 Knowledge acquisition, its antecedents, and IJV performance

Several studies (Lyles and Salk, 1996; Lyles and Barden, 2000; Lane et al., 2001) stipulate that knowledge acquisition is the platform through which the predictors of knowledge acquisition have their impact on IJV performance. That is, absorptive capacity factors such as relatedness between an IJV and its foreign parent's business and the IJV's investment in training and/or different types of trust do not have a direct impact on performance, but facilitate knowledge acquisition, which in turn is a driver of IJV performance. A different line of research found that the knowledge acquisition antecedents had a direct impact on organizational performance. For example, Tsai (2001) found that a business unit's absorptive capacity had a direct effect on the unit performance. Inkpen and Currall (1997; 1998) suggested that trust between

parent firms may directly affected the IJV's performance. I will therefore test the following hypothesis:

> *H6: An IJV's level of knowledge acquisition from the foreign parent mediates the relationship between knowledge acquisition antecedents and the IJV's performance.*

3.4 A summary of hypotheses and variables

Table 3-4 illustrates the constructs, variables, their definitions, and hypotheses.

Table 3-4: Constructs, variables, definitions, and hypotheses

Constructs	Variables	Definitions	Hypotheses
Knowledge Acquisition	Knowledge Acquisition	The extent to which an IJV has acquired knowledge (i.e. learnt) from its foreign parent	
Learning intent	Learning intent	An IJV's initial propensity to learn from its foreign parent	H1: An IJV's learning intent is positively associated with its level of knowledge acquisition from the foreign parent.
Absorptive capacity: the IJV ability to recognize the value of new, external information, assimilate it and apply it to commercial ends	Relatedness	The extent to which an IJV's industry, products, technology, and customers are related to that of the foreign parent	H2a: Relatedness between an IJV and its foreign parent business is positively associated with the IJV's level of knowledge acquisition from the foreign parent.
	Investment in Training	The extent to which an IJV has allocated resources to training its employees	H2b: An IJV's investment in training is positively associated with its level of knowledge acquisition from the foreign parent.
	Ability to learn	The extent to which an IJV's employees are able to recognize and assimilate new knowledge	H2c: An IJV's employees' ability to learn is positively associated with the IJV's level of knowledge acquisition from its foreign parent.
	Joint participation	The extent to which tasks and decision making authorities are distributed equally between local personnel and foreign expatriates	H2d: Joint participation of local personnel with expatriates in shared activities of an IJV is positively associated with the IJV's level of knowledge acquisition from its foreign parent.
Willingness to share	Willingness to share	The extent to which an IJV's foreign parent is willing to disclose and share what it knows to the IJV	H3: The foreign parent's willingness to share knowledge with the IJV is positively associated with the IJV's level of knowledge acquisition from its foreign parent.

Table 3-4: Constructs, variables, definitions, and hypotheses (con't)

Constructs	Variables	Definitions	Hypotheses
Trust: a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another	Calculation-based trust	The level of trust between an IJV's parents based on calculation of costs and benefits associated with having the relationship.	H4a: Calculation-based trust between two parents is positively associated with the IJV's level of knowledge acquisition from its foreign parent.
	Knowledge-based trust	The level of trust between an IJV's parents based on the knowledge about each other.	H4b: Knowledge-based trust between two parents is positively associated with the IJV's level of knowledge acquisition from its foreign parent.
	Identification-based trust	The level of trust between an IJV's parents based on shared understandings and values.	H4c: Identification-based trust between two parents is positively associated with the IJV's level of knowledge acquisition from its foreign parent.
IJV performance	IJV performance	An IJV's level of achievement of business targets.	H5: An IJV's level of knowledge acquisition from its foreign parent is positively associated with the IJV's performance.
			H6: An IJV's level of knowledge acquisition from the foreign parent mediates the relationship between knowledge acquisition antecedents and the IJV's performance.

4. The research context

This chapter provides background information on the situation of IJVs in Vietnam, including the historical context that gives birth to the establishment of IJVs, the characteristics of Vietnamese investment environment within which IJVs operate, government policies and management of Foreign Direct Investment (FDI) activities in general and of IJVs in particular, and main results to date.

4.1 Historical background

Historically, Vietnam has been known in the world as a 'war-after-war' country armed consecutive conflicts with the Chinese (prior to 1884), the French (1884 – 1954), and the American (1954 – 1975). Vietnam declared its national independence in 1954 but had undergone 30 years of war before its re-unification in 1975, right after the victory against the American. The real independence was achieved in 1975 and hence, in the same year, born officially the so-called Socialist Republic of Vietnam. Since then, economic development has been the main focus.

In the period from 1975 to 1985, the economy of Vietnam could be characterized as purely central-planned. Every property was 'collective owned' and no private ownership was allowed. The government decided everything, particularly who produce what and for whom. All enterprises were state-owned who bought specified inputs from specified suppliers to produce specified outputs sold to specified customers at specified prices. Vietnam's main trading partners were limited to the Former Soviet Union and other countries in the socialist system.

Due to the central planning mechanism and the closeness of the economy, in the mid 1980s, Vietnam suffered from severe shortages of food and basic consumer goods, a high budget deficit, three-digit inflation, chronic trade imbalances and deteriorating living standards (Meyer, Tran, and Nguyen, 2006). This economic crisis, coupled with the reform movements in China and the former Soviet Union pushed Vietnam towards a large-scale economic reform started from 1986, popularly known as 'Doi moi' (Harvie and Tran, 1997; Meyer et al., 2006).

The central idea of 'Doi moi' policy is to create 'a socialist-oriented market economy' that allows for the development of a multi-sector economy, in

which the government, cooperative, and private sectors co-exist with equal rights. The five main measures introduced in the reform were: (1) to give farmers the right to lease land from the State for a long period; (2) to restructure State Owned Enterprises (SOEs) so that they have to work on an economically and financially independent basis; (3) to legitimate the private sector; (4) to encourage foreign investment; and (5) to replace the monobank system by a two-tier banking system (Vietnamese Communists Party, 1986). A complete review of the 'Doi moi' policy can be found in, for example, Fforde and Vylder (1996), Harvie and Tran (1997), and Wolff (1999).

Of the five described measures, the encouragement of foreign investment is considered especially important for shifting Vietnamese economy from 'close door' to 'open door', from a command-driven to a market-driven one. The promulgation of the Law on Foreign Investment dated December 29th 1987 gave a solid legal basic for foreign investment activities in Vietnam.

According to the Article 4 of this Law, foreign investors may invest in Vietnam in any of the following forms: (1) Business co-operation on the basis of a Business Co-operation Contract (BCC); (2) Joint venture enterprise; and (3) Enterprise with one hundred (100) percent foreign owned capital. This gave rise to the formations of hundreds of IJVs located in the country.

4.2 Characteristics of investment environment

Investment environment's characteristics influence decisions made by potential and existing foreign investors, including whether to invest, when, where, and which form to invest, which business strategies to adopt, and how to deal with the government, partners, and related organizations etc. This section reviews characteristics of Vietnamese investment environment in the period from 1987 to 2006. In addition, some projections of the future environment are also included.

4.2.1 Stable socio-political environment yet weak institutional capacities

Vietnam is one of the few countries with economies in transition that have a very stable political environment. Since 1975, the Socialist Republic of Vietnam has been managed by a single party - the Communists party and this situation will not likely to change in the future. The Communists party of Vietnam has committed to the economic reform reflected by the fact that the

reform is always at the top of the Party's agendas in annual Party congresses (details can be seen in the Party congresses' documents, website: http://www.cpv.org.vn/dcsvn). In reality, the transition from a command to a market economy is continuingly supported by different government levels (JICA, 2003). A stable political environment means that the risk of being requisitioned, expropriated, or nationalized is minimized as almost every government has a promise not to do so to foreign investors. In Vietnam, this promise is concretized in Article 21 of the Law on Foreign Investment No.18/2000/QH10 (2000) and Article 6 of the new Law on Investment No.59-2005-QH11 (2005).

In the context of increasing terrorism and religious wars/ ethnic group contradiction in the world in recent years, Vietnam is known as one of the safest countries in terms of human and property attacks (JICA, 2003). Together with the political stability, this represents Vietnam's biggest advantage as an FDI destination compared to other neighboring countries such as Thailand or the Philippines.

The stability of socio-political environment, however, has not yet brought about a high quality institutional framework that can strongly support foreign investment activities and economic growth. The institutional capacity including legal framework and capacities of implementing agencies is week in general. The legal system in Vietnam is conflicting and unclear, subjecting to different interpretations of government officials at different levels. The government's actions related to business laws and regulations are inconsistent and difficult to predict. In some cases, laws and regulations are retroactive. The business environment is bureaucratic and uncoordinated among different government organizations and agencies (ibid.). For more details, please see section 4.3.

Weak institutional capacity also leads to popular corruption situation as some businesses and government officials take advantage of the weakness in laws and regulations. According to the ranking by the Transparency International organization, over the last five years, Vietnam had Corruption Perceptions Index (CPI) score of from 2.4 to 2.6 out of 10. CPI score relates to perceptions of the business people and country analysts about the country's corruption situation. It ranges between 10 (highly clean) and 0 (highly corrupt). The lower the score, the more corrupt the country is. In addition to CPI, countries are ranked according to their level of corruption. The higher level of corruption, the bigger the rank. Vietnam was ranked number 75th, 87th, 104th, 104th, and 114th out of 91, 102, 133, 145, and 159 ranked countries in 2001, 2002, 2003, 2004, and 2005 respectively. This means that the

perceived level of corruption in Vietnam was very high. It was higher than that in many neighboring countries. For example, in 2005, Malaysia ranked No. 39th, Thailand ranked No. 60th, China ranked No. 78th, and India ranked No. 92nd (Transparency International, 2005). Corruption has created tremendous difficulties for businesses in general and IJVs in particular to operate in Vietnam.

Nevertheless, the Vietnamese government has been aware of the situation and is committed to the corruption fighting. In December 2003, Vietnam entered into the UN Convention on corruption control; in July 2004, Vietnam participated in the Asia-Pacific Anti-corruption Plan of Action; in November 2005, the National Assembly ratified the anti-corruption law. Recently, many corruption cases have been revealed and taken to courts.

4.2.2 Rich natural resources yet low quality infrastructure

Vietnam is endowed a good geographical location. The country is at the centre of the South East Asia region; therefore, it is convenient for firms in Vietnam to access to the rest of the world because all the main air lines and marine transports are nearby the country. Vietnam has rich and plentiful natural resources including oil, gas, metal and non-metal ores. These fields have attracted attention from a lot of foreign investors. A long seaside also facilitates the development of fishing and aquaculture industries.

However, a backward economy with poor infrastructure systems makes it not only difficult but also costly for foreign investors to do business in Vietnam. Difficulties lie in the lack of supporting industries and high costs of doing business due to a poor infrastructure.

Owing to a long time under the old bureaucratic system, the economy of Vietnam in general is in small scale, backward technology, and low production capacities. It is estimated that the technology used in purely domestic invested industries are 20 to 30 years backward comparing to the rest of the world; Vietnamese enterprises are not be able to produce goods that are internationally competitive (JICA, 2003). As the economy is less developed, supporting industries that provide inputs for industries requiring high quality materials, particularly the export-oriented ones, are in serious lack. Firms in these industries, hence, have to import materials from other countries. This is not only inconvenient but also costly. In some cases, imported materials are subject to import duties (for details please look at the Laws on Export and Import Duties dated December 26th (1991); Law on

amendments of some articles of Law on Import- Export Duties dated July 5th (1993) and Law on amendments of some articles of Law on Import- Export Duties dated May 20th (1998). This considerably raises the firms' input costs, which in turn makes their goods much less competitive in international market.

Although the infrastructure in Vietnam has been continually improved over the last decade, its availability and quality still does not meet the country's economic development requirements. The existing road system can only meet 60 – 70% overland transport demand; the railway system is too old and cannot be used for transport of high quality goods; seaports are old, backward and inefficient; and the transportation capacities of Vietnam Airlines are low and unreliable due to frequent changes in schedules (JICA, 2003). Transporting goods in Vietnam is lengthy, inefficient, and costly. A survey of investment-related costs in 28 cities in 15 major countries and areas in ASEAN and South Asia by JETRO (2006) found that in the period from 2003 to 2005, the transportation costs from Hanoi and/or Ho Chi Minh City (HCMC) to Japan were much higher than the regional average. The same survey found that although electricity costs for manufacturing in Hanoi and HCMC were lower than the regional average, the electricity supply has been in shortage and unstable. Power cuts were not rare, especially during the summer time. Many foreign invested enterprises have to make additional investment in their own electricity transport and/or generator systems. Likewise, as water supply and drainage capacity does not fully meet population and business demand, some companies have to make additional investment in these systems (JICA, 2003).

Up to the year 2001, the cost of international calls from Vietnam had been one of the highest in the region and the world. However, since 2000, due to the government policy to gradually abolish the monopoly mechanism and allow Vietnamese and foreign companies to participate in the telecoms market, the situation has been remarkably improved. The costs of international calls have been reduced; access to the Internet with broadband technologies becomes much more available, faster, cheaper, and easier. In 2003 – 2005 period, the cost of three minutes international calls was about the same as regional average, and the monthly basic charge for ADSL Internet connection was much lower than the regional average (JETRO, 2006).

Previously, foreign investors had been very frustrated with the double-pricing system imposed by utilities companies under the protection of the government. The double-pricing system distinguished between foreigners and Vietnamese, between foreign invested enterprises and domestic invested

enterprises according to which the foreigners or foreign invested companies had to pay higher rates. This system created a very bad image of the Vietnamese investment environment in the eyes of foreign investors. Fortunately, recently, this double-pricing system was abolished. The single price system has been applied to water supply since June 1999, to telecommunications since October 2000, to Airlines since January 2004, and to electricity supply since January 2005 (Phong, 2004).

At the beginning of 1990s, the costs of office renting in Vietnam were very high due to a supply shortage. Seeing the gap in the market, in the mid of 1990s, many foreign and domestic investors invested in the office building business. Unfortunately, in subsequent years, the FDI to Vietnam was slowdown. Couple with the building of offices, the situation became reverse. There was a big surplus of offices for rent that decreased considerably the costs of renting during 1999-2000. However, the costs has increased again since 2001 when there was a recovery in the economy (JICA, 2003). The office rental costs in Hanoi and HCMC were higher than the regional average in 2003 – 2005 period (JETRO, 2006). It is very unlikely that these costs will be decreased in the next several years.

One of the obstacles to foreign investors in Vietnam is the inadequacy of financial infrastructure. Vietnam lacks a modern banking system which can effectively handle business transactions and other financial services. The official stock market is newly developed (since 2000) and is still in a very small scale and underdeveloped.

To date, poor infrastructure has remained one of the biggest shortfalls of Vietnamese investment environment. However, to be fair, one could look back and say that there is a big difference between the infrastructure today and the infrastructure of 5 years ago. The improvement can be witnessed day by day. At present, many government initiatives are underway to address the weaknesses of the country's infrastructure system, including the encouragement of the private sector's participation in infrastructure development, the removal of many administrative controls on operations of foreign banks in Vietnam, and various measures to boost the scale and efficiency of the Vietnamese capital markets.

4.2.3 Big population yet low purchasing power

Vietnam has a big population of over 84 millions people in July 2006 (CIA, 2006). This represents a significant domestic market size in terms of number

of consumers. However, the purchasing power in general has been low due to low income. The Vietnamese Gross Domestic Products (GDP) per capita is only USD 640 (at current price) in 2005 (Nguyen, 2006). A high percentage of the population is farmers who cannot afford to buy high quality products provided by foreign invested companies. In fact, the purchasing power is concentrated in a small percentage of population, mainly in urban areas.

Nevertheless, the GDP of Vietnam is increasing year by year at an annual rate of 7.5% in the period from 2001 to 2005 (ibid.). The increasing size and purchasing power of Vietnamese market has created a good condition for the development of domestic market oriented industries such as consumer goods, real estates, or building materials industries.

4.2.4 Cheap and plentiful source of labor yet lack of high quality professionals

The Vietnamese population is very young with a high percentage of in-working-age people. It was estimated that the labor force in Vietnam comprised of nearly 41 millions people with an increase of 1.4 millions people a year, representing a big potential source of labor (ILO, 2005). Statistics show that the adult literacy rate of more than 91% in 2002 (UNDP, 2005) was higher than that of many neighboring countries (JICA, 2003). The labor costs have been much lower than the regional average (JETRO, 2006). This is a good condition for foreign investors to locate their plants in Vietnam, especially for those operating in labor-intensive industries.

Although the Vietnamese labor source is plentiful in quantity, high quality professionals are in shortage. A high percentage of the available workforce has not been trained in appropriate professions. This is partly due to the education system which focuses more on general knowledge and is weak at providing skills that meet businesses' specific needs. There is a lack of skillful workers, knowledge workers and managers which reduces the national competitiveness in high technology industries (JICA, 2003). It was estimated that the portion of skilled labor in total was only 25% in 2005 (Nguyen, 2006).

4.2.5 Great opportunities resulted from economic integration yet increasing threats

Over the last decade, the Vietnamese economy has gradually integrated into the world economy. In 1995, Vietnam became an official member of the Association of South East Asian Nation (ASEAN)[1] which includes 10 Asian countries. The official membership required and permitted Vietnam to join the ASEAN Free Trade Area (AFTA) which has been active since July 1st 2003. The country also entered into multilateral agreements with 9 Asian and 15 European nations through Asia Europe Meeting (ASEM)[2] in 1996; with the European Community through the Cooperation Agreement between the European Community and the Socialist Republic of Vietnam in 1996; and with 20 Asia Pacific nations through Asia-Pacific Economic Cooperation (APEC)[3] in 1998. Bilateral Agreements were made with a number of countries such as with France through the French Vietnamese Agreement for the Promotion and Protection of Investments, in effect since 1992, with Britain through the British Vietnamese Agreement for the Promotion and Protection of Investments, in effect since 2002; and especially with the US through Bilateral Trade Agreement, in effect since 2001. Vietnam became the 150th member of the World Trade Organization (WTO) in November 7th 2006.

The integration process opens up a lot of opportunities for potential as well as existing foreign invested enterprises in Vietnam. Technical and economic cooperation opportunities are expanded. Goods produced in Vietnam can be exported to other countries at no or low tariff. Likewise, equipments and materials can be imported at low costs due to tariff reduction/ elimination. At the same time, this integration process poses high challenges for Vietnam based firms as more and more firms have entered or will enter the Vietnamese market. Domestic competition has become and will become much tougher in the near future.

---

[1] ASEAN members are Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei Darussalam, Vietnam, Laos, Myanmar, and Cambodia.

[2] ASEM include Brunei Darussalam, China, Indonesia, Japan, Republic of Korea, Malaysia, the Philippines, Singapore, Thailand, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

[3] APEC members are Australia, Brunei Darussalam, Canada, Chile, People's Republic of China, Hong Kong, China, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, The Republic of the Philippines, The Russian Federation, Singapore, Chinese Taipei, Thailand, and United States of America.

To summarize, the Vietnamese investment environment in 1987–2006 period is characterized by a stable socio-political environment, rich natural resources, big population, plentiful source of labor yet weak institutional capacities, poor infrastructure, low level of income, and a lack of high quality professionals. Nevertheless, the environment has been improving over time. Vietnam is gradually integrating into the regional and world economies, creating both opportunities and threats for Vietnam-based businesses in general and for IJVs in particular.

One aspect of the investment environment that has an important direct influence on businesses is the government policies and management of FDI activities. This topic is discussed in the next section.

4.3 Government policies and management of FDI activities

This section reviews the government policies toward FDI in general and toward IJVs in particular. The State mechanism for management of FDI activities is applicable to all forms of FDI, including IJVs.

4.3.1 Government policies toward FDI

The Vietnamese government has been very committed to attracting FDI by creating a better investment environment. The legal framework has been continually improved through issuance of new/ amended laws and other legal documents.

Before July 1st 2006, foreign invested companies and domestic companies in Vietnam had been governed by different laws. The private sector was governed by the Enterprise law while foreign investment sector was governed by the Law on Foreign Investment. The Law on Foreign Investment was first introduced in 1987, amended in 1990, 1992, replaced in 1996, and amended once more in 2000. This Law and the Enterprise law were replaced by the common Law on Investment No.59-2005-QH11 and the unified Law on Enterprises No.60-2005-QH11. The purpose of these two laws is to create a more systematic, transparent, and fair environment for investors through applying a unique mechanism to all businesses regardless of their ownership, economic sector, and trade. The two new laws were passed by the National Assembly of Vietnam in November 2005 but the official effective date for both of them is 1 July 2006. However, one should expect that it will take time before the new laws become fully effective in practice. In this section, I

review both the old and the new law because the surveyed IJVs were governed by the old law up to the time they were investigated and they will be governed by the new law in the future.

In general, the Vietnamese government keeps a relatively tight control over foreign investment activities. FDI projects in Vietnam must be approved by the government through two procedures: (1) registration or (2) evaluation for issuance of investment licenses (Government Decree No. 24-2000-ND-CP, Articles 104 to 111). These two procedures remain unchanged under the new Law on Investment No. 59-2005-QH11 but the criterion for evaluation is looser. Specifically, under this new Law, only projects with invested capital of VND 300 billions (equivalent to about USD 18 millions) or more or projects in the conditional sectors will be subject to the evaluation procedure (Articles 45 to 50).

Within the framework of socio-economic development master plans, five-year plans and yearly priorities are prepared for industrial development and investment. In general, Vietnam encourages foreign investment in production for export, high technology, labor-intensive and infrastructure building sectors. Investments in sectors where Vietnam has relative competitive advantage such as agriculture, forestry, and aquaculture or in regions with difficult socio-economic conditions are supported. The government also encourages foreign investment in projects located in the industrial zones, export processing zones, high-tech zones, and economic zones (Law on Foreign Investment No.18/2000/QH10, Article 3; Law on Investment No. 59-2005-QH11, Article 27 & 28).

In an effort to compete with other nations in attracting FDI, the government of Vietnam has implemented various tax-related investment encouragement measures. Corporate income tax has been lower than the regional average (JICA, 2003; JETRO, 2006). Various foreign invested enterprises are exempted from or entitled to preferential corporate income tax rates if they belong to the list of encouraged investment projects (Government Decree No. 24-2000-ND-CP, Articles 45, 46, 48, & 49; Law on Foreign Investment No.18/2000/QH10, Articles 38, 39, 44 & 45; Government Decree No. 27/2003/ND-CP, item 8; Law on Investment No. 59-2005-QH11, Article 33). Foreign invested enterprises can get import and export duties exemptions (Laws on Export and Import Duties, Articles 10, 11, & 12; Government Decree No. 24-2000-ND-CP, Articles 58 & 59; Government Decree No. 24-2000-ND-CP, Articles 47 & 48) as well as exemptions from value added tax (Government Decree No. 24-2000-ND-CP, Article 60) for certain types of goods. Encouraged projects could also get low profit remittance tax

(Government Decree No. 24-2000-ND-CP, Article 50; Law on Foreign Investment No.18/2000/QH10, Articles 43 & 44).

Before July 1st 2006, the government had put several restrictions on foreign investment. First, a limited number of sectors of the economy was open to foreign investors (Law on Foreign Investment No.18/2000/QH10, Article 3). Second, as mentioned in section 4.1, foreign investors could only invest in one of three forms: 100% foreign owned enterprises, JVs, or BCC contracts (ibid., Article 4). For infrastructure projects, foreign investors could only enter into Build-Operate-Transfer contracts, Build-Transfer-Operate contracts, or Build-Transfer contracts with an authorized State body of Vietnam (ibid., Article 19). Third, in some sectors of the economy, 100% foreign owned projects were not allowed (Government Decree No. 24-2000-ND-CP, Article 3 & Appendix IV). Fourth, for IJVs, the contribution of foreign parties must be at least 30% of legal capital (Law on Foreign Investment No.18/2000/QH10, Article 8). Fifth, an enterprise with 100% foreign owned capital must have the legal capital of at least 30% of its invested capital and is not allowed to reduce its legal capital during the course of its operations (ibid., Article 16). These restrictions had reduced the attraction of investment in Vietnam.

Under the new Law on Investment No.59-2005-QH11 (2005) and Law on Enterprises No.60-2005-QH11 (2005), most of these restrictions are eliminated. Specifically, enterprises can invest in any industries or sectors which are not prohibited by the government. More sectors of the economy are open to foreign investors. Enterprises are self-autonomous, self-responsible for their own activities. They can choose any kinds of internal management mechanism and change it as well as change investment forms when necessary. The article on 30% minimum of the foreign ownership and ban on capital decrease are abolished. Foreign investors can carry out various forms of direct investment, apart from three traditional forms of FDI. They can also carry out indirect investment in Vietnam. Foreign companies can also open branches in Vietnam (Law on Enterprises No. 60-2005-QH11, Article 8; Law on Investment No. 59-2005-QH11, Article 4, 13, 17, 21 & 26).

Previously, other policies toward FDI of the government such as those on technology transfer, foreign exchange control, and visa and work permits for foreigners working in Vietnam created difficulties for foreign investors (JICA, 2003). However, recently, the government has made considerable efforts in easing many of these problems. For example, in terms of technology transfer (a particularly relevant area for IJVs), the old legislation (Government Decree No. 45/1998/ND-CP) put a cap on the royalties which

investors could earn from their technology transfer and required foreign investors to follow a very complicated licensing process in order to transfer technology to local parties. These problems made investors to steered away from Vietnam and invested somewhere else (VBF, 2005b). Recently, the government replaced this decree by the Decree 11/2005/ND-CP dated February 2nd 2005, follow which the royalty cap was removed and the licensing was replaced by a registration regime (MPI Report No. 2557/BKH-DTNN 2005). The situation has also been improved for foreign exchange control. In June 2004, the State Bank of Vietnam changed the regulations governing foreign exchange forward contracts by allowing greater flexibility in their term and premiums, which allow foreign invested companies to better hedge their foreign exchange exposure (VBF, 2005a). Vietnam has waived visas for holder of popular passports from ASEAN countries. Visa exempt is also applicable to citizens of Korea, Japan, Denmark, Norway, Finland, and Sweden coming to stay in Vietnam for less than 15 days (MPI Report No. 2557/BKH-DTNN 2005).

Besides the above-mentioned policies, there are also policies specifically applicable to only IJVs. According to the Law on Foreign Investment No.18/2000/QH10, IJVs in Vietnam can only be established under the form of a limited liability company. The foreign party can make capital contribution in the form of foreign or Vietnamese currency, plant and equipment, technology or intellectual property rights while Vietnamese party can contribute the same types of capital plus the value of the right to use land/ water/ sea surfaces and natural resources (Law on Foreign Investment No.18/2000/QH10, Articles 6 & 7). Typically in practice, foreign parties contribute cash and movable assets, Vietnamese parties contribute land use rights and plants or buildings. While the Law on Foreign Investment No.18/2000/QH10 defines the kinds of assets that can be contributed as capital, it does not offer concrete guidance on valuation of assets and it is up to the concerned parties to negotiate with each other with certification by an independent inspection organization (ibid., Article 9). Despite the participation of the inspection organization, quite often capital valuing creates tensions between two sides as Vietnamese parties do not understand the value of intellectual property rights while foreign parties find the Vietnamese parties' valuation of land use rights unreasonable.

Another specific regulation governing IJVs is the regulation on the management of IJV. According to the Articles 11, 12, 13, & 14 of the Law on Foreign Investment No.18/2000/QH10, management of an IJV belongs to the Board of Management whose members are appointed by the JV partners in proportion to their capital contribution. The Board of Management shall

appoint and dismiss the General Director and the Deputy General Director, in which either the General Director or the first Deputy General Directors must be Vietnamese citizen regardless of what percentage of capital contributed by the Vietnamese party. The appointment, dismissal of the General Director, the first Deputy General Director and amendment of and additions to the charter of the enterprise must be made by the Board of Management on the principle of unanimity. Foreign investors reflected that this principle sometimes created problems for businesses. Thus, under the new Law on Enterprises No.60-2005-QH11 (2005), this article on unanimous board decision rule is abandoned.

Although policies of a government are expressed most clearly in its laws and regulations, it is important to note two points in Vietnam. First, Vietnamese laws and regulations are not always consistent. This is because laws and regulations are issued by different government bodies. The Constitution is the source of legislative authorities of Vietnam. Laws passed by the National Assembly represent the highest forms of legislation. At lower legislative levels, there are ordinances passed by the Council of State, followed by decrees enacted by the Council of Ministers, and Ministerial circulars and joint circulars. There are also decisions made by Peoples' Committees at city and provincial levels (Nguyen, 2001). The number of legislative documents is very impressive - over 800 documents regulating foreign investment (Philip Fox, 2005). It is not surprised that inconsistency can be found in different legislative documents. In many cases, a lower level legislative document can be more powerful than the Law itself. For example, in the case of land lease, the Law on Foreign Investment No.18/2000/QH10 stated that foreign invested enterprises were entitled to lease land at the lowest possible land rent rates (Government Decree No. 24-2000-ND-CP, Articles 85, 86, 87, & 91; Law on Foreign Investment No.18/2000/QH10, Article 46; Government Decree No. 27/2003/ND-CP, item 16) but in reality, the land rent rates for foreign invested projects as regulated in the Government Decision 1989/2000/QĐ/BTC (2000) were 80%-90% higher than the rates for domestic invested projects (JICA, 2003).

Second, in Vietnam, the legislative branch consisting of the National Assembly and the Peoples' Courts is not a separate and independent body of the national government structure as in the case of many Western democratic countries. Therefore, the fairness of the Court system is not always guaranteed. This is a major concern of foreign investors in Vietnam (Nguyen, 2001). Laws enforcement is weak and varies depending on the area of law and the parties involved (Thuyet, 1999). What stated in the laws is subject to differing interpretations of different governmental levels and even different

government officials and thus, is not always conformed in practice. For example, an investor in HCMC complained that in order to register for issuance of an investment license, he had to include in the application package a plant/ land lease certificate although this document was not required by the national law as stated in the articles 106 & 107 of the Government Decree No. 24-2000-ND-CP. During the application time, he had to pay the rental expenses without actually using it for business purposes (Thuy, 2005).

In sum, Vietnamese government encourages FDI and considers it as an important sector of the economy. The Vietnamese Law on Foreign Investment No.18/2000/QH10 was considered relatively open (JICA, 2003). The passage of two new laws on investment and on enterprises is a significant step toward a more liberalized economy. However, the implementation of laws in practice is still a headache problem for foreign investors.

The next question is what is the mechanism through which the mentioned government policies are implemented? I will provide an answer to this question by describing the state management of FDI activities in Vietnam in the section followed.

4.3.2 State management of FDI in Vietnam

As stipulated in the Article 54 of the Law on Foreign Investment No.18/2000/QH10 (2000), the scope of state management of foreign investment includes the followings:

1. Developing strategies, master plans, plans and policies on foreign investment;
2. Promulgating law and regulations on foreign investment activities;
3. Providing guidance to ministries and local authorities with respect to the performance of activities relating to foreign investment;
4. Issuing and revoking investment licenses;
5. Determining the co-ordination between State bodies in relation to managing foreign investment activities;
6. Inspecting, monitoring, and supervising foreign investment activities.

The new Law on Investment No. 59-2005-QH11 stipulates for similar contents of the state administration except that the emphasis is changed from a supervising to a supporting role follow which the main duty of the

government is to encourage, guide, and support businesses (Law on Investment No. 59-2005-QH11, Article 80).

Figure 4-1 presents the structure of the state management of foreign investment in Vietnam. This structure involves different government bodies and levels, including at the highest level, the Primer Minister; at the lowest level, the Provincial People Committees and the industrial/ export processing/ hi-tech zone management boards. This is a decentralized structure in which each government body is responsible for issues which are falling within its respective authority.

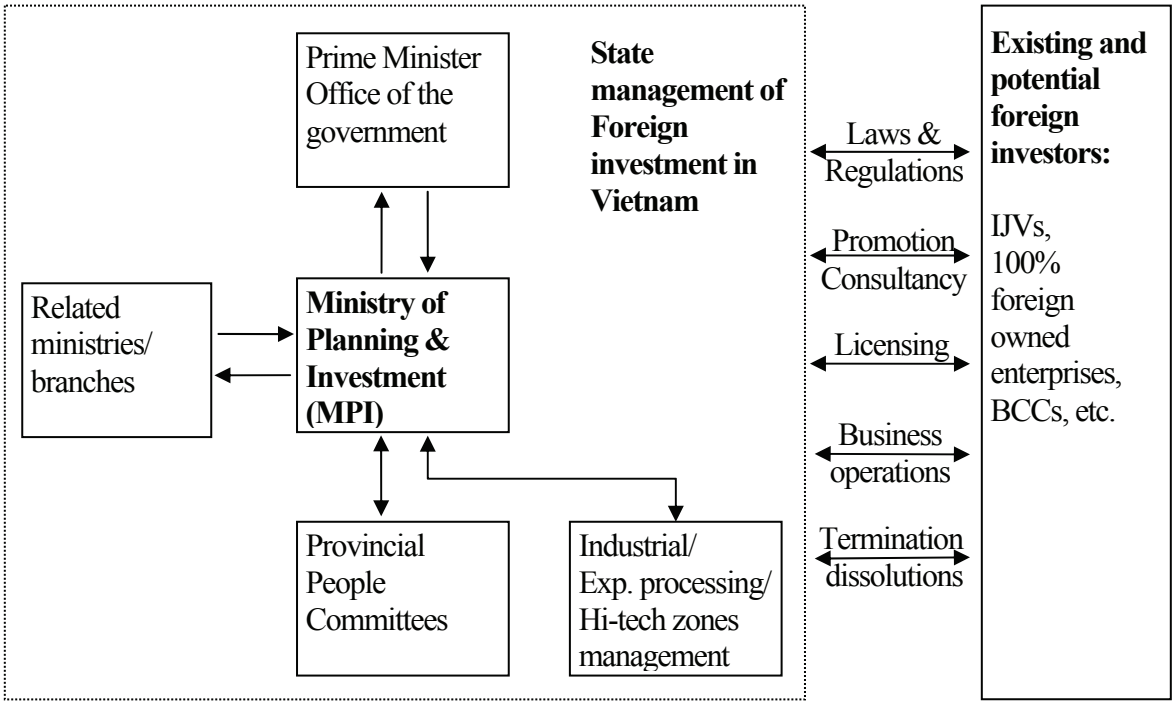


Figure 4-1: Structure of state management of foreign investment in Vietnam

As can be seen from the figure, MPI is the main government body which coordinates the overall foreign investment activities in Vietnam. MPI is responsible for preparing the national strategies and plans to attract foreign investment; drafting laws, regulations, and policies on foreign investment; carrying out the state management of foreign investment promotion and consultancy activities; reporting to the Prime Minister and providing the consolidated FDI information to involved government ministries and branches. Vice verse, other government bodies should obtain MPI's opinion before issuing legal documents related to foreign direct investment activities which fall within their respective competence. For example, Ministry of Finance should get MPI's opinion before issuing taxation regulations that have effects on foreign investment activities in Vietnam. Details on foreign

investment state administration functions of MPI, ministries and equivalent government bodies, and provincial people's committees can be found in the articles 56, 57, & 58 of the Vietnam's Law on Foreign Investment No.18/2000/QH10 (2000), articles 116, 117, & 118 of the Government Decree No.24-2000-ND (2000), and items 28 & 29 of the Government Decree 27/2003/ND-CP (2003).

Within MPI, the Foreign Investment Agency (FIA, established according to the MPI's Minister's decision number 523 /QĐ-BKH dated July 31st 2003), is the main unit responsible for the actual implementation of activities related to foreign investment. The establishment of FIA was very much welcome by involved government bodies as well as foreign investors because it made the state management of foreign investment activities much more coordinated.

The decentralization of state management of foreign investment in Vietnam is considered as a 'big step towards reducing bureaucracy and saving time for foreign investor' (Meyer et al., 2006, p.14). By delegating a lot of functions such as the evaluation of investment license applications and land lease to provincial people's committees or management boards of industrial/ export processing/ hi-tech zones, the process becomes quicker as it releases a lot of burden for MPI. However, as laws and regulations issued by different government bodies, a complete consistency is very unlikely. Differences in policies and legal practices can be found in different provinces due to an internal competition among localities to attract foreign investors (ibid.). Moreover, it is not easy for a potential investor to find ways around as discussed in the subsequent paragraphs.

In dealing with the government, a typical potential foreign investor will have to obtain foreign investment related information, including laws, regulations and other guidance concerning foreign investment activities in Vietnam. In case he/she decides to invest in Vietnam, he/she will have to apply for an investment license which serves as the certificate of business registration. The investment license application will go through either registration or evaluation process conducted by an appropriate government body in charge of state management of foreign investment (please see section 4.3.1 earlier for details on registration and evaluation process). If it is approved, the investor will be granted an investment license.

After getting the investment license, the investor has responsibility to implement activities as indicated in the application documents. The established entity will then be subjected to the regular monitoring, supervision and evaluation of the relevant government bodies, especially the investment

license issuing agency. Typical issues subjected to the government's monitoring and supervision include implementation of financial obligations, getting certificates of the land use right; the implementation of site clearance; registering residence of foreigners; labor and wages relations, social order, safety and protection of the ecological environment, prevention and fighting of fire and explosion. Under the old Law on Foreign Investment, any changes to the business objectives, the joint venture contract/ the BCC contract, the charter of the enterprise, the scale of production or the contribution ratio of the legal capital must be approved by the government body in charge. If the implementation of the registered project is considered not satisfactory, this government body shall have the right to withdraw the investment license, make decisions on the dissolution of the foreign invested enterprise or early termination of the BCC contract. Under the new Law on Investment, investors can make their own decisions on items to be amended and they only have to register or apply for amendment to the State administrative body in charge.

One important question emerged from this situation is that which government agency is the 'body in charge' for the foreign investor to deal with? The answer lies in which project the investor intends to do. If the potential foreign investor wishes to invest in a very important project, he/she must obtain the approval from the Prime Minister. If he/she wishes to invest in a medium important project, MPI is the government body to make decisions on it. If the project is less important, the potential investor should deal directly with the People's committee of the province where the project will be located in. Details on project classification can be found in the articles 114 and 115 of the Government Decree No.24-2000-ND (2000), articles 26 & 27 of the Government Decree No. 27/2003/ND-CP (2003), and article 4 of Government Decision No.386-TTg (1997). At the moment, provincial People's Committees can make decisions on projects with invested capital of up to USD 20 millions and industrial/ export processing/ high-tech zones' management boards can make decision on up to USD 40 millions projects (Lan, 2006).

It is important to note, however, that this is just the government body which issues the investment license and monitors the investor's implementation of his/her registered duties. In reality, the investor will usually have to deal with multiple government authorities. For example, an investor who wishes to invest in a group B project would have to apply for an investment license from MPI but would also have to get permission to lease land from the provincial people's committee where the project is going to be located. For large/ important projects, foreign investors generally have to negotiate with both, national and local authorities (Meyer et al., 2006). In many cases, the

involved government agencies are not very well coordinated. This is a reason why foreign investors find it cumbersome to deal with Vietnamese government.

Vietnam is implementing an administrative reform, known as 'one-door' policy. If this is to be done, businesses (and individuals as well) will not have to deal with many government authorities and the process will be much simpler and more convenient. However, it will take time before this 'one door' policy could be truly implemented in practice.

To sum up, Vietnam has not yet been an ideal environment for foreign investment yet a very promising destination for FDI in general and IJVs in particular. At the Annual Vietnam Business Forum meeting in November 2005, various results of survey on businesses were presented. All of them shared a common view that Vietnam was a relatively attractive investment destination, yet much remained to be done to convert positive expectations into reality (VBF, 2005b). The government has been implementing a lot of measure to address existing problems and the country's investment climate will be much brighter in the very near future when the two new laws fully come into effect in reality.

4.4 Results to date

Since 1987, FDI has achieved considerable results and contributed substantially to the economic development of Vietnam. By the end of 2005, the total registered investment capital has reached USD 50 billion from nearly 70 nations, accounting for over 15 % of the nation's GDP, approximately 37% of the industrial output and 54% of the export turnover (Vu Khoan, 2005).

4.4.1 FDI in general

Over the last two decades, Vietnam has witnessed a rise and fall in the FDI flow into the country. The number of FDI projects had been gradually increased in the period from 1988 to 1995, slowed down a little bit in the period from 1996 to 2000, and then steadily increased again. The total registered capital had risen rapidly from US$ 186 millions in 1988 to its peak of US$ 8,742 millions in 1996 and then fell sharply afterward. Only recently (since 2004), it has just been started to recovered a little bit. Coupled with the figures on the number of FDI projects, we can see that there was a bigger

number of projects flowing into the country over the last five years, yet on average each project had a much smaller amount of registered capital compared to that of previous projects. There are two reasons for this FDI pattern: (1) the impact of the Asian economic crisis in the period of 1996 to 2000 and (2) a lack of confidence in the Vietnamese investment environment (resulted from previous foreign investors' experience in Vietnam) that makes foreign investors cautious in committing large amounts of money to the country. Investors probably want to explore the market and investment environment before making a larger commitment.

Figure 4-2 shows the pattern of FDI into the country by number of projects and total registered capital. Actual figures can be found in the Appendix 1.

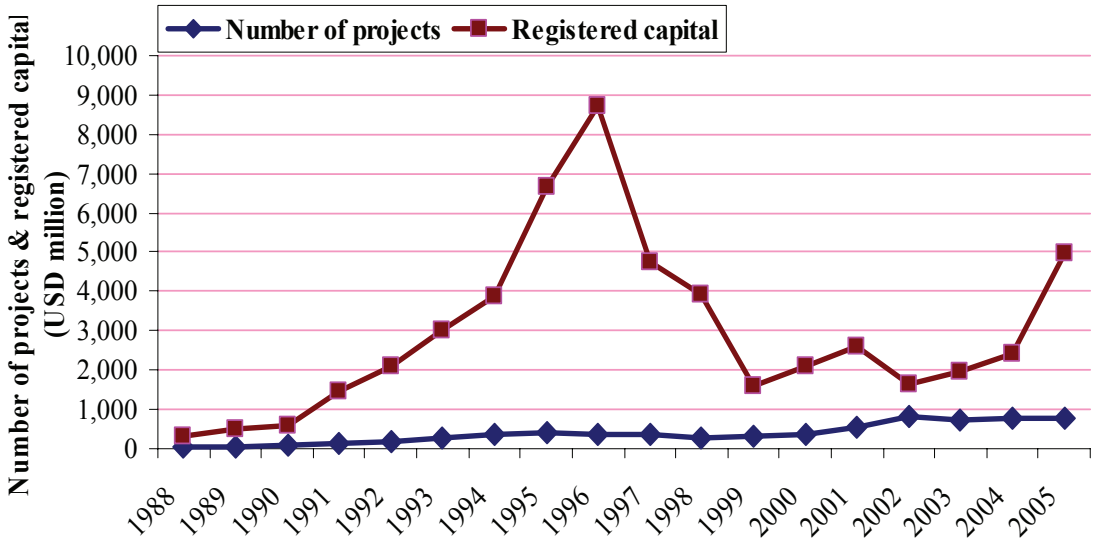


Figure 4-2: FDI inflow to Vietnam in the 1988 – 2005 period

At the end of 2005, there were 5,918 FDI projects that were still in operation. Of which, there were 4,404 one-hundred-percent foreign invested, 1,316 joint ventures, and 198 build-operate-transfer (BOT) and BCC projects; 1,461 projects are located in the North, 4,216 projects are located in the South, and 241 projects in the Central region (FIA, 2006).

In terms of the countries of origin, Taiwan, South Korea, Japan, Singapore, and Hong Kong represents five biggest foreign investors in Vietnam with the number of invested projects of 1408, 1029, 590, 395, and 354 respectively. European countries had 846 projects and USA had 260 projects. The rest (1036 projects) were from other countries or projects that involved multiple partners (ibid.).

4.4.2 FDI by forms of investment

As discussed earlier, up to the mid of 2006, FDI flowed into the country was under three major forms: one-hundred-percent foreign invested projects, joint venture projects, and BOT or BCC.

Figure 4-3 illustrates the number of projects under each form in the period from 1988 to 2005. As can be seen, joint ventures were the major form of investment before 1996. Since 1997, one-hundred-percent foreign invested projects had been a preferred mode. This mode of investment had appeared as the dominant investment form in the 1999 - 2005 periods and this trend is likely to be continued in the future.

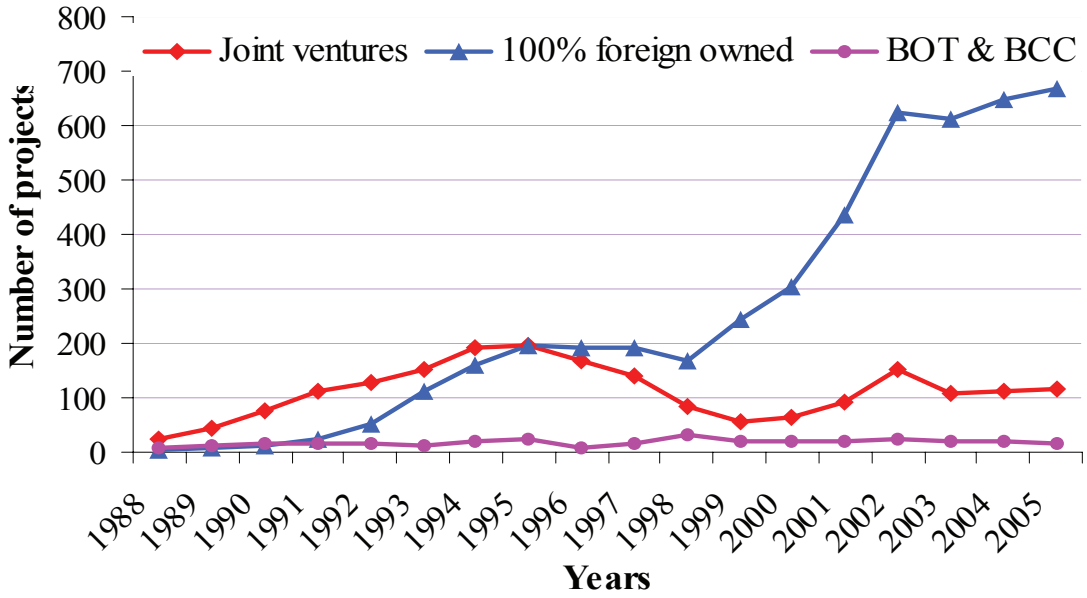


Figure 4-3: Number of projects by forms of investment

Figure 4-4 shows the percentage of each investment form in the total number of projects. While joint ventures occupied about 70% of total FDI projects in the first 5 years of economy opening, this figure reduced to only about 15 to 20% over the last 7 years. This trend reflects the decreasing dependency of foreign partners on local counterparts as the legal and institutional infrastructure has been getting better.

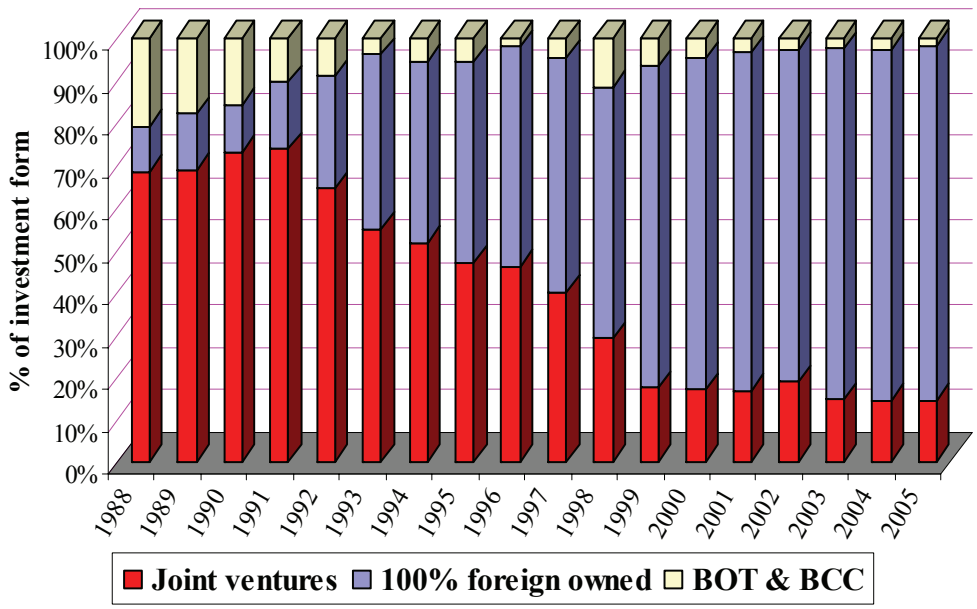


Figure 4-4: Percentage in the total number of projects by forms of investment

Figure 4-5 shows a similar trend in terms of the amount of registered capital. The amount of registered capital under the joint venture form had been higher than that of other forms until 1999 and has been below that of one-hundred-percent foreign invested projects since 2000.

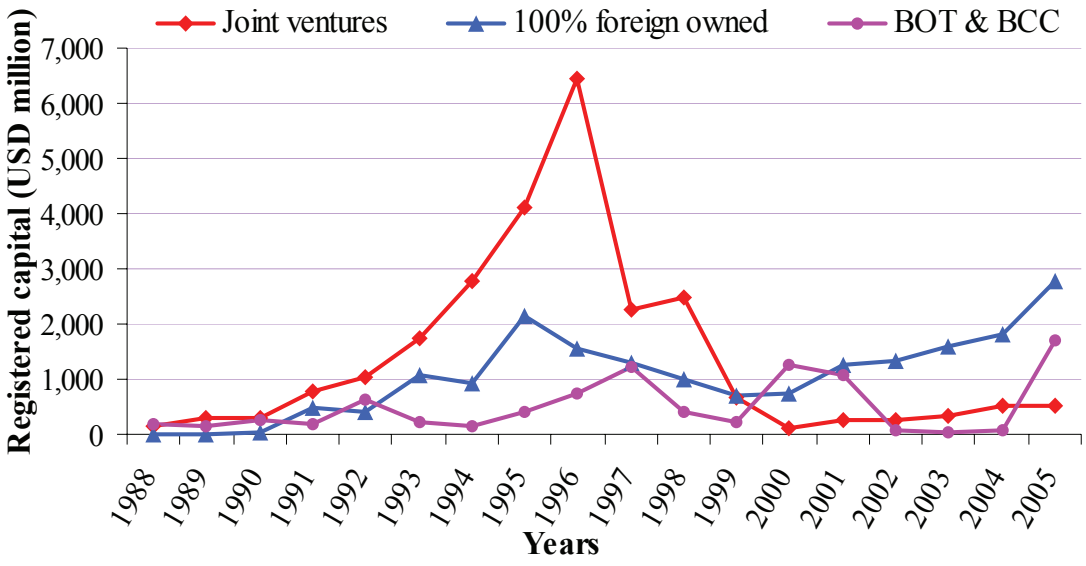


Figure 4-5: Registered capital by forms of investment

Figure 4-6 also shows a decreasing percentage of IJVs' registered capital as well as an increasing percentage of one-hundred-percent foreign invested projects' registered capital in the total registered capital. The percentage of

BOT & BCC registered capital in the total registered capital has generally been larger than the percentage of BOT & BCC projects in the total number of projects. This is because BOT and BCC are infrastructure projects that require a big amount of investment. Appendix 1 provides concrete figures for each year.

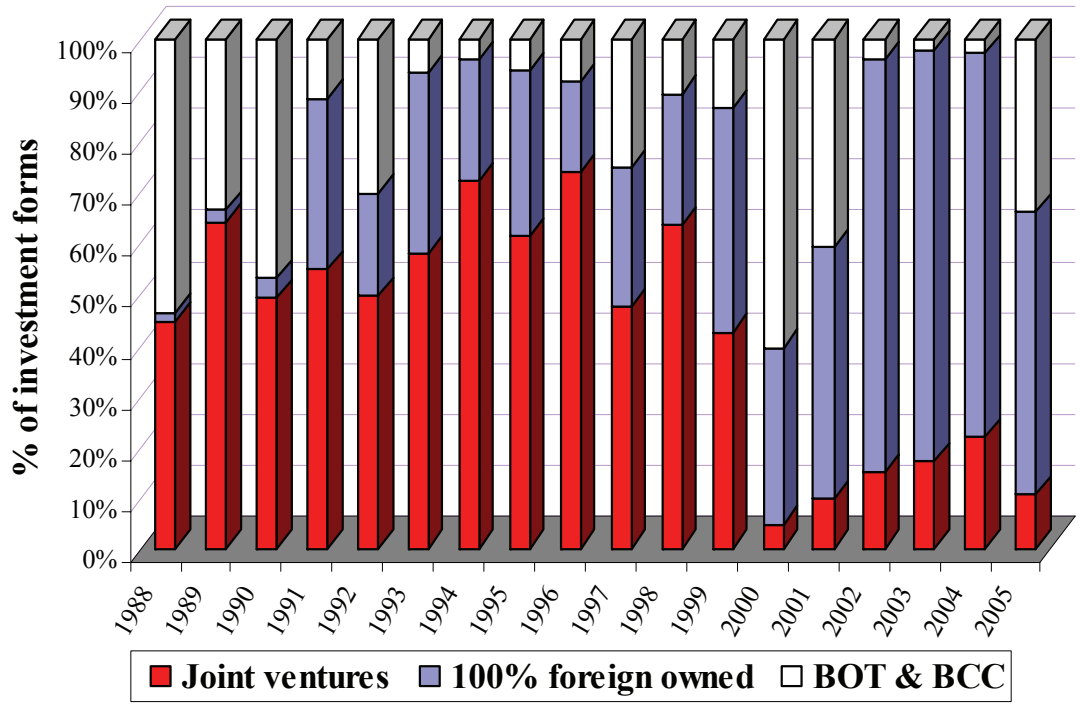


Figure 4-6: Percentage in total registered capital by forms of investment

4.4.3 IJV by industries

Table 4-1 shows the number of IJV projects, registered capital, actual invested capital, revenues, and number of employees according to industry types categorized by FIA (2006). The figures are available up to year end 2003. As can be seen, there was a total of 1,798 registered IJV projects with US$ 27,419 millions of registered capital. However, the amount of actual invested capital (US$ 11,848 millions) is only 43% of registered capital. Together, these IJVs generated US$ 27,903 millions in revenues and employed 153,982 people.

Although Table 4-1 does not show the number of manufacturing vs. service join ventures, we can still estimate a rough figure for manufacturing IJVs as most of them belong to heavy, light, and foods processing industries. Some agriculture – forestry and aquaculture projects can also be manufacturing

IJVs. Thus, the number of manufacturing IJVs is estimated at about a half of JV projects (800). It is important to note that these figures are registered JV projects. In reality, the number of existing IJVs is lower because some of them has been dissolved, some has been converted to other forms such as one-hundred-percent foreign owned, and some never start. In fact, as mentioned earlier, the number of existing IJVs was 1,316 by the end of 2005.

In the first years of economy opening, most of the joint ventures were made with state-owned enterprises (SOEs) as the private sector had not been developed. The enactment of the Enterprise law in 2000 has facilitated the development of a vibrant private sector, thus more and more joint ventures have been made with private companies.

Table 4-1: Joint ventures by industries

(at year end 2003)

No.	Industry	Number of Projects	Registered capital (USD million)	Actual commitment (USD million)	Revenues (USD million)	Number of employees
1	Hotel - Tourism	180	4,850	2,105	1,495	16,885
2	*Heavy industries*	*356*	*4,429*	*3,068*	*13,941*	*35,973*
3	Office/Apartment/Urban Centers Building	135	7,457	1,522	583	3,774
4	Construction	186	3,339	1,625	2,245	13,292
5	Oil & Gas	2	1,310	537	0	364
6	Agriculture - Forestry	215	1,265	690	1,918	15,365
7	Industrial Zones Building	16	1,010	522	206	822
8	Transportation - Telecommunications	115	985	456	1,499	6,702
9	*Foods processing*	*104*	*936*	*377*	*2,765*	*8,370*
10	*Light industries*	*239*	*900*	*579*	*2,316*	*40,927*
11	Aquaculture	71	299	77	251	4,719
12	Other Service	99	286	117	212	2,845
13	Culture - Health - Education	64	234	77	300	3,035
14	Finance and Banking	16	119	95	172	909
	Total	**1,798**	**27,419**	**11,848**	**27,903**	**153,982**

5. Empirical survey

5.1 Survey objectives

The survey is designed to test the proposed theoretical model in the context of IJVs in Vietnam. Its objectives are as follows:

- To see whether the proposed relationships hold in IJVs in Vietnam;
- To see if there is any difference regarding the under-studied phenomenon in different types of IJVs in the country.

5.2 Methodology

5.2.1 Data collection and sample

The survey population was defined as all manufacturing IJVs operating in Vietnam. According to the list provided by MPI, there were 630 manufacturing IJVs in the whole country. Note that this is the most official and original source of information on foreign investment in the country. Every single manufacturing IJVs was given a chance to participate in the survey. This method results in no sampling error.

Data collection was conducted in the period from August 2005 to February 2006 using a self-administered questionnaire. Following Lyles and Salk (1996) and Simonin (1999), in each targeted IJV, I planned to collect information from one executive. Typically, this is the general director or deputy general director, who is responsible for the company's overall performance and for the success of the IJV. These top executives are in the best positions to observe and evaluate knowledge acquisition and performance in their IJVs, or can direct the questionnaires to other individuals within the companies who may know the subject better (Simonin, 1999).

Data were collected through the Foreign Investment Agency belonging to MPI by a mean of an official letter sealed by the Agency. Unlike developed countries, in Vietnam, generally people would respond to a survey only if it is from a supervising government body, from an association that they have a benefit link, or because they have personal relationship with the people doing the survey. Collecting data through FIA has two advantages in comparison with other methods. First, the survey can be done in a large scale. Second, usually, people consider it as a serious work and do not fill in the questionnaire for form’s sake.

The data collection was done in two steps. The first step involved a pre-test of the questionnaire by mailing it to 50 IJVs. After getting back 8 responses and seeing no problems with respondents' understanding of the questions, I then proceeded with the big launch of the survey. In the second step, the questionnaire was sent to another 500 IJVs. These ones had complete addresses that allowed mailing. The mail was sent by the secured mean, which means that if it could not reach the targeted company, it would be returned to the sender. In total, more than 80 questionnaires came back. Thus, nearly 470 of 550 IJVs had received the questionnaire. To encourage responses, I myself, a FIA staff, and two other field-researchers hired by me made intensive follow-ups by telephone calls and direct meetings with targeted informants. Direct meetings were done only in Hanoi and HCMC.

Every time a filled questionnaire came back, I checked it myself to see if there were any problems with the answers. There were no problems regarding the informants' understanding of the questions. However, there was some missing information that could be verified through telephone calls. As the questionnaire was designed in a way that the participants could indicate their names if they wished, I was able to call them when needing verification. In total, I made more than 30 telephone calls to the respondents and received enthusiastic responses from them. As such, I was able to fill in some of the un-filleds and got their opinions related to the topic under studied.

By the end of February 2006, I got back 159 filled questionnaires. I eliminated 5 of them because 5 Vietnamese respondents mistakenly answered the questionnaire twice, in Vietnamese and in English languages. Thus, in total, there were 154 responses from 154 IJVs. The response rate hence was about 33% (154/470).

Of the 154 responding IJVs, 56 firms located in the North, 91 firms located in the South, and the rest was either in the Central region or had factory in more than one place. In terms of foreign partners' country of origin, the number of responding IJVs from Japan, Taiwan, South Korea, Singapore, and Hongkong, five biggest foreign country investors in Vietnam in the period from 1988 to 2005 (MPI, 2006), is 27, 24, 23, 15, and 7 respectively. Twenty-five of the alliance partners were headquartered in European countries and 8 from the United States. The remaining IJVs involved partners from other countries. The surveyed IJVs had been in operation from 1 to 17 years, with an average of 9.2 years. In most IJVs, foreign partners held a substantially larger share of equity than the Vietnamese counterparts did.

Table 5-1 represents the responding IJVs in terms of foreign parents' countries of origin and IJV location.

Table 5-1: Foreign parent's country of origin and IJV location

Foreign parent's country of origin	IJV location			Total
	North	South	Others	
Japan	13	13	1	**27**
Taiwan	4	19	1	**24**
South Korea	12	10	1	**23**
Singapore	6	8	1	**15**
Hong Kong	1	6	0	**7**
European	10	12	3	**25**
US	2	6	0	**8**
Others	8	17	0	**25**
Total	**56**	**91**	**7**	**154**

Of the responding IJVs, 141 firms were represented by Vietnamese respondents and 13 firms were represented by foreign counterparts. Out of 154 respondents, 115 were IJV general directors or deputy general directors. The rest (39) were branch directors or department heads who responded to the survey according to the assignments of their superiors. On average, the respondents worked for their parent firms for 12.8 years and for the IJVs for 6.2 years.

5.2.2 Instrument development procedure

The survey instrument was developed after careful selection and refinement of variables' measurement through a thorough literature review. All of the measures used in this study were adapted from the literature, including my previous research on similar topic.

Figure 5-1 illustrates the procedure used to develop measures. First, clear definitions of construct were specified so that they could guide the selection of measures. After that, I reviewed the literature closely to develop a pool of measurement items. For constructs that had been used in my previous research (Thuc Anh et al., 2006), I used almost entirely the same measures. For other constructs, I borrowed or adapted from other research.

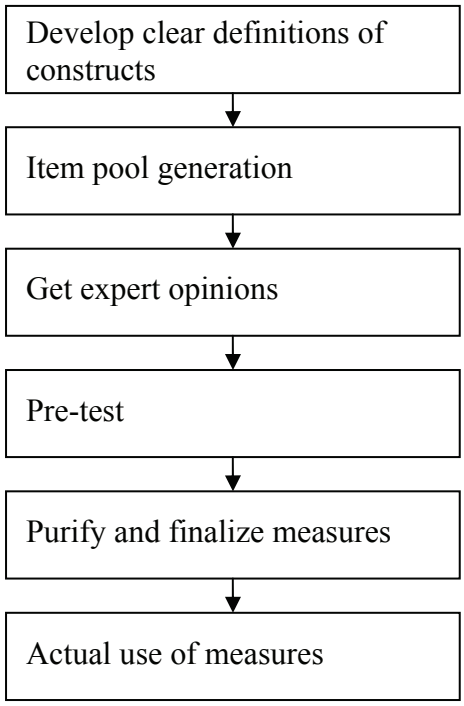


Figure 5-1: Procedure for developing measures

The first version of the questionnaire was compiled in English and obtained opinions from my supervisor and two other experts in the same field, based on that several items were reworded for clarity. The questionnaires were then translated into Vietnamese language (by myself) and made ready for pre-test. The purpose of pre-test was to check face validity of the questions. It was done in 3 small steps. First, I asked my colleagues who were lecturers/ researchers at my school to fill in the questionnaires themselves to see if there were any problems with any of the questions. These lecturers/ researchers are bi-lingual, have both good academic knowledge and wealth of experience in working with international partners. Six of them agreed to help. They made some suggestions with questionnaire wordings, mostly for Vietnamese version. I then proceeded with the pre-test of the questionnaire with my MBA students, those who worked for IJVs. Ten responses came back with no further comments on structure or wordings of the questionnaire. The last step of pre-test, as mentioned above, was to send out the questionnaire to 50 IJVs. Like the previous pre-test step, the returned questionnaires indicated that the informants had no difficulties in understanding the questions. I then finalized the questionnaire and then sent it out to all manufacturing IJVs that had full postal addresses.

5.2.3 Variables and measures

Observed variables included in the model were measured by facts and latent variables were measured by an indirect mean through verbal expressions. Except foreign parent's willingness to share knowledge, all other latent variables were measured by multiple items using a Likert-type (1 = strongly disagree to 5 = strongly agree) format. Multiple items measures were used because they could increase the measures' reliability (Neuman, 2000). The Likert-type scaling was used because of its power and simplicity (Alreck and Settle, 1995). According to the authors, the principal advantages of this type of scale included flexibility, economy, ease of composition, and the ability to obtain a summated value so that a general construct could be measured from a set of individual items.

5.2.3.1 Dependent and mediating variables

The measure of *IJV performance* was taken from my previous research (Thuc Anh et al., 2006) which adapted from Lyles and Salk (1996). It includes four statements address the IJV's achievement of its target (1) sales, (2) market share, (3) profits, and (4) overall planned goals during the last year, and another four items asking the IJVs about the trends of achieving their targets in the same areas over the last three years. For transition economies such as Vietnam, qualitative measures of companies' performance are the most practical since the concrete financial figures are neither available nor unreliable (Lyles and Barden, 2000). Moreover, perceptual measures of firm performance have been found to be significantly correlated with more objective measures (Dess and Robinson, 1984; Geringer and Hebert, 1989; 1991). In addition, while it is ideal to get IJV performance evaluations from all the parties involved, it is time consuming, expensive, and probably wasteful to do so. Using only the IJV senior managers' evaluation should be enough to get a valid picture of IJV performance because previous studies found no significant difference between IJV managers' evaluations of the ventures' performance and that of the IJV's parents' manager (Geringer and Hebert, 1991; Zeira, Yeheskel, and Newburry, 2004).

The measure of *knowledge acquisition* was also taken from Thuc Anh et al. (2006) which based on the measure utilized by Lyles and Salk's (and the subsequent Lane et al.) studies of IJVs in Hungary (1996). It consists of six items, which address six specific aspects of knowledge acquisition including (1) new technological expertise, (2) manufacturing processes, (3) product development expertise, (4) new marketing expertise, (5) knowledge about

foreign culture and tastes, (6) managerial techniques, and (7) an item asking for the overall level of knowledge acquired.

5.2.3.2 Independent variables

The measure of *learning intent* was adapted from Hamel (1991) and Simonin (2004). It included two items that address an IJV's intention to study from its foreign parent. The first item asks for the IJV's desire, determination, and will to learn from its foreign parent. The second item refers to the extent to which learning from foreign parent is an objective of the IJV.

As discussed in chapter 4, four factors were selected to represent an IJV's *absorptive capacity*: (1) relatedness between an IJV's and its foreign parent's business, (2) investment in training, (3) employees' ability to learn, and (4) joint participation:

- The measure of *relatedness between an IJV and its foreign parent's business* was taken from Thuc Anh et al.'s research (2006) which was adapted from Lyles and Barden's work (2000). The four items address the relatedness of the IJV's technology, products, industry, and customers to that of its foreign parent.
- The measurement of *investment in training* was modified from the same research (Thuc Anh et al., 2006) which developed based on a measure of knowledge transferability cost developed by Cao (2000). It includes five items. Three items assess the level of investment in training employees to master (1) technology, (2) marketing techniques, (3) managerial techniques brought by the foreign parent. Item 4 and 5 assess the level of resources committed to training employees in cross-cultural skills and to training in general.
- *Employees' ability to learn* measure was extended from Thuc Anh et al.'s study (2006). It includes eight items assessing the IJV's employees' ability to assimilate and their ability to apply foreign parent's knowledge in the following areas: (1) new technology, (2) new marketing techniques, (3) new managerial techniques, and (4) overall. This measure reflects the overall employees' ability to learn, not each individual employee's ability.
- The measure of *joint participation between local personnel with expatriates* in shared activities was taken from the same research (Thuc Anh et al., 2006). Items included assessing the extent to which local personnel (1) is informed, (2) contribute ideas, (3) contribute activities of equal importance, (4) have equal opportunities in decisions making, and (5) is involved in shared activities overall.

Foreign parent's willingness to share knowledge was measured by a single item indicating the extent to which the foreign parent is willing to share its knowledge with the IJV.

Measures for all three types of trust, *calculation-, knowledge-, and identification-based trust* were adapted from Nguyen's (2005) study on interfirm trust dynamics in Vietnam. Nguyen's measurement was developed based on studies by Nooteboom et al. (1997) and Cummings & Bromiley (1996).

- The *calculation-based trust*'s measure includes five items assessing the extent to which a partner perceived that the other partner attached to them because of either the legal system enforcement or the benefits that the other partner saw from having the relationship.
- The measure for *knowledge-based trust* comprises seven items assessing the extent to which a partner knew about and understood the other partner's reliability, integrity, and benevolence.
- The *identification-based trust*'s measure consists of four items describing the extent to which people of one partner shared with contacts person(s) of the other partners (1) personal information, (2) ideas, feelings, hopes, or problems, and (3) values/ beliefs, and the extent to which contact person(s) of the other partners care about their problems, feelings, and concerns.

5.2.3.3 Control variables

Control variables for learning models include (1) *IJV age*, (2) *Equity split (local)*, (3) *IJV size*, (4) *Technology intensity*, and (5) *Vietnamese parent's ownership*. The first three variables were found in the literature as having significant relationships with knowledge acquisition. For example, Lane et al. (2001) found that IJV age affected its learning levels. Lyles and Salk's (1996) study of Hungarian IJV's found that the proportion of equity held by the Hungarian parent was (inversely) related to knowledge acquisition. Knowledge acquisition from partners was found to be different between small and large firms (Shenkar and Li, 1999; Simonin, 2004). I suspected that an IJV's level of technology intensity would also affect its level of knowledge acquisition from foreign parent. Technology-intensive IJVs may be more active in exploiting knowledge, including those from its foreign parent because they are in high-velocity environments, where the speed and scope of knowledge integration are paramount for sustaining competitive advantage (Grant, 1996b). As the only legitimate form of business in Vietnam for a long time, SOEs are very different from other types of business such as private-owned in their behaviors, including seeking partner, forming joint ventures,

and learning from their partners. Thus, the type of Vietnamese parent's ownership may also have an influence on the IJV's knowledge acquisition from its foreign parent.

The same set of control variables was also used for performance models. Previous research has found significant correlations between IJV age and its effectiveness (Newburry and Zeira, 2003), between equity split and IJV performance (Boateng and Glaister, 2002), as well as between IJV size and its performance (Dhanaraj et al., 2004).

- *IJV age* was calculated as the number of years in operation up to the time the respondents filled in the questionnaire.
- *Equity split (local)* was the proportion of equity in the venture held by the Vietnamese parent.
- *IJV size* was measured by the IJV's number of employees.
- *Technology intensity* was measured as a dummy variable with 1 = high technology intensity and 0 = low technology intensity. The respondents were asked to fill in their firms' industries by words. Based on these answers, I arranged the IJVs' industries in four types: high-technology, (2) medium-high-technology, (3) medium-low-technology, and (4) low-technology industries. This arrangement was based on the OECD's (2005) classification of manufacturing industries based on technology. I then coded all IJVs in the first and the second groups as high technology-intensive IJVs, and all IJVs in the third and the last groups as low technology-intensive IJVs.
- *Vietnamese parent's ownership* was also measured as a dummy variable with 1 = state-owned and 0 = non-state-owned.

Table 5-2 shows all of the items in the scales and their sources.

Table 5-2: Measures for each variable and their sources

Variables	Source	Measures
Dependent		
Performance	Thuc Anh et al. (2006); Lyles & Salk (1996)	Last year, the venture achieved its target *sales volume* Last year, the venture achieved its target *market share* Last year, the venture achieved its target *profits* Last year, the venture achieved its *planned goals* There is a trend in increasing *sales* of the venture over the last three years There is a trend in increasing *market share* of the venture over the last three years There is a trend in increasing *profits* of the venture over the last three years The venture has achieved great performance *overall*
Knowledge Acquisition	Thuc Anh et al. (2006); Lane et al. (2001); Lyles & Salk (1996)	The venture has learned a great deal of *technological expertise* from the foreign parent The venture has learned a great deal of *manufacturing processes* from the foreign parent The venture has learned a great deal of *product development expertise* from the foreign parent The venture has learned a great deal of *managerial expertise* from the foreign parent The venture has learned a great deal of *marketing expertise* from the foreign parent The venture has learned a great deal about *foreign culture and tastes* from the foreign parent *In general*, the venture has learned a great deal from the foreign parent
Independent		
Learning Intent	Hamel (1991); Simonin (2004)	Learning from the foreign parent is an important objective of the joint venture The venture has a strong desire, determination and will to learn from its foreign parent
Relatedness	Thuc Anh et al. (2006); Lyles & Barden (2000)	The venture's *technology* is highly related to that of the foreign parent business The venture's *products* are highly related to that of the foreign parent business The venture's *industry* is highly related to that of the foreign parent business The venture's *customers* are highly related to that of the foreign parent business

Table 5-2: Measures for each variable and their sources (con't)

Variables	Source	Measures
Investment in training	Thuc Anh et al. (2006); Cao (2000)	Every year the venture commits significant resources to educating and training personnel to master the *technology* brought by the foreign parent Every year the venture commits significant resources to educating and training personnel to master the *marketing techniques* brought by the foreign parent Every year the venture commits significant resources to educating and training personnel to master the *managerial techniques* brought by the foreign parent Every year the venture commits significant resources to educating and training personnel in *cross-cultural skills* *In general*, the venture commits significant resources for education and training personnel
Ability to learn	Thuc Anh et al. (2006)	The venture's personnel are able to assimilate *new technological expertise* brought by the foreign parent The venture's personnel are able to assimilate *new marketing techniques* brought by the foreign parent The venture's personnel are able to assimilate *new managerial techniques* brought by the foreign parent *In general*, the venture's personnel are able to assimilate new knowledge and skills brought by the foreign parent The venture's personnel are able to apply *new technological expertise* learned from the foreign parent to daily activities The venture's personnel are able to apply *new marketing techniques* learned from the foreign parent to daily activities The venture's personnel are able to apply *new managerial techniques* learned from the foreign parent to daily activities *In general*, the venture's personnel are able to apply knowledge and skills learned from the foreign parent to daily activities
Joint Participation	Thuc Anh et al. (2006)	Vietnamese personnel are fully informed about activities in the areas they work Vietnamese personnel are expected to contribute their ideas when they work with the foreign counterparts Vietnamese personnel are assigned to activities of equal importance when they work with the foreign counterparts Vietnamese personnel have equal opportunities to make decisions when they work with the foreign counterparts In general, Vietnamese personnel are deeply involved in shared activities between partners
FP's willingness to share		The foreign parent is very willing to share their knowledge and understanding with the venture

Table 5-2: Measures for each variable and their sources (con't)

Variables	Source	Measures
Calculation-based Trust	Nguyen's (2005)	If our partner does not fulfill the contracts with us, our partner could seriously damage their reputation in the market/industry Our partner is dependent on us in developing their business If our partner breaks their contracts with us, our partner will have to pay a significant legal fine We would feel a sense of betrayal if our partner leaves us only for economic reasons In general, our partner benefits from having relationships with us
Knowledge-based Trust	Nguyen's (2005)	We know that employees in our partner firm generally tell the truth in negotiations We know that our partner generally meets its negotiated obligations In our opinion, our partner is reliable We know that in general our partner does not try to mislead us In our opinion, our partner's capability is good enough to fulfill the contracts with us We believe that our partner keeps our best interests in mind Contact people of our partner care about our problems, feelings, and concerns
Identification-based Trust	Nguyen's (Grant, 1996b)	We share with the contact person(s) of our partners some of our own personal information (e.g., background, personal life) We feel free to share with these contact person(s) our ideas, feelings, hopes, or problems that may not directly relate to business We have shared values/ beliefs with our partner's representatives We share business related information with the partner
Control		
IJV age		Number of years in operation up to the time the respondents filled in the questionnaire.
Equity Split (local)		The percentage of equity in the venture held by the Vietnamese parent.
IJV size		The IJV's number of employees.
Technology intensity		A dummy variable with 1 = high technology intensity and 0 = low technology intensity.
VN_Parent ownership		A dummy variable with 1 = state-owned and 0 = non-state-owned

5.2.4 Data processing

First, reliability analysis and factor analysis were used to evaluate the measures' reliability and validity (Aaker, Kurmar, and Day, 1998). Then, bi-variate correlations were performed to explore bi-variate relationships among variables.

Multiple regressions were then used to estimate the relationships between the independent variables and *knowledge acquisition,* between *knowledge acquisition* and *IJV performance*, and the mediating relationship of *knowledge acquisition.* This technique could be used to analyze the relationship between a single dependent variable and several independent variables (Hair, Anderson, Tatham, and Black, 1998). It is by far the most popular and versatile dependence technique, applicable in every facet of business decision making (ibid.).

Data analyses were performed using Statistical Package for the Social Sciences (SPSS) computer software package.

5.3 Results

5.3.1 Analysis of multiple-item measurement

Factor analysis and reliability analysis was used to assess the measures that use multiple items. Measures that use single item such as foreign parent's willingness to share knowledge were not included in these analyses.

Factor analysis can be used to identify the underlying dimensions (factors) and to evaluate the validity of measures (Hair et al., 1998). In this study, it was run using the varimax rotation method. The number of factors was constrained to 10 because theoretically, the questionnaire items should measure 2 dependent and 8 independent variables. The results are shown in the first three columns of **Table 5-3**. The first column indicates the order numbers of factors and the factors' names, the second column shows the items loaded into each factor, and the third column indicates factor loadings of each item. To make it easy to follow, all factors and items were sorted by size, first according to the percentage of variance explained by the factor, then according to the factor loadings.

Table 5-3: Factor analysis and reliability analysis

Factor	Items	Loading	Alpha
1 Ability to learn	In general, the venture's personnel are able to assimilate new knowledge and skills brought by the foreign parent	0.835	
	The venture's personnel are able to apply new managerial techniques learned from the foreign parent to daily activities	0.826	
	The venture's personnel are able to assimilate new managerial techniques brought by the foreign parent	0.813	
	In general, the venture's personnel are able to apply knowledge and skills learned from the foreign parent to daily activities	0.787	
	The venture's personnel are able to apply new technological expertise learned from the foreign parent to daily activities	0.750	
	The venture's personnel are able to apply new marketing techniques learned from the foreign parent to daily activities	0.746	
	The venture's personnel are able to assimilate new marketing techniques brought by the foreign parent	0.746	
	The venture's personnel are able to assimilate new technological expertise brought by the foreign parent	0.722	0.954
2 Performance	The venture has achieved great performance overall	0.915	
	Last year, the venture achieved its target profits	0.854	
	There is a trend in increasing sales of the venture over the last three years	0.846	
	There is a trend in increasing profits of the venture over the last three years	0.833	
	Last year, the venture achieved its planned goals	0.826	
	Last year, the venture achieved its target sales volume	0.779	
	There is a trend in increasing market share of the venture over the last three years	0.752	
	Last year, the venture achieved its target market share	0.751	0.945
3 Knowledge acquisition	The venture has learned a great deal of product development expertise from the foreign parent	0.806	
	The venture has learned a great deal of marketing expertise from the foreign parent	0.720	
	In general, the venture has learned a great deal from the foreign parent	0.693	
	The venture has learned a great deal of manufacturing processes from the foreign parent	0.668	
	The venture has learned a great deal of managerial expertise from the foreign parent	0.666	
	The venture has learned a great deal of technological expertise from the foreign parent	0.639	
	The venture has learned a great deal about foreign culture and tastes from the foreign parent	0.560	0.936
4 Knowledge-based trust	We know that in general our partner does not try to mislead us	0.785	
	In our opinion, our partner is reliable	0.770	
	We know that our partner generally meets its negotiated obligations	0.687	
	In our opinion, our partner's capability is good enough to fulfill the contracts with us	0.673	
	We know that employees in our partner firm generally tell the truth in negotiations	0.628	
	We believe that our partner keeps our best interests in mind	0.598	
	Contact people of our partner care about our problems, feelings, and concerns	0.487	0.880

Table 5-3: Factor analysis and reliability analysis (con't)

Factor	Items	Loading	Alpha
5 Joint participation	Vietnamese personnel are assigned to activities of equal importance when they work with the foreign counterparts	0.801	
	Vietnamese personnel have equal opportunities to make decisions when they work with the foreign counterparts	0.763	
	In general, Vietnamese personnel are deeply involved in shared activities between partners	0.708	
	Vietnamese personnel are expected to contribute their ideas when they work with the foreign counterparts	0.706	
	Vietnamese personnel are fully informed about activities in the areas they work	0.669	0.893
6 Investment in training	Every year the venture commits significant resources to educating and training personnel to master the technology brought by the foreign parent	0.700	
	Every year the venture commits significant resources to educating and training personnel in cross-cultural skills	0.692	
	Every year the venture commits significant resources to educating and training personnel to master the marketing techniques brought by the foreign parent	0.691	
	In general, the venture commits significant resources for education and training personnel	0.666	
	Every year the venture commits significant resources to educating and training personnel to master the managerial techniques brought by the foreign parent	0.647	0.935
7 Identification-based trust	We share with the contact person(s) of our partners some of our own personal information (e.g., background, personal life)	0.814	
	We feel free to share with these contact person(s) our ideas, feelings, hopes, or problems that may not directly relate to business	0.802	
	We have shared values/ beliefs with our partner's representatives	0.550	
	We share business related information with the partner	0.500	0.766
8 Relatedness	The venture's industry is highly related to that of the foreign parent business	0.878	
	The venture's products are highly related to that of the foreign parent business	0.774	
	The venture's technology is highly related to that of the foreign parent business	0.717	
	The venture's customers are highly related to that of the foreign parent business	0.426	0.781
9 Calculation-based trust	If our partner breaks their contracts with us, our partner will have to pay a significant legal fine	0.703	
	Our partner is dependent on us in developing their business	0.609	
	We would feel a sense of betrayal if our partner leaves us only for economic reasons	0.601	
	If our partner does not fulfill the contracts with us, our partner could seriously damage their reputation in the market/industry	0.502	
	In general, our partner benefits from having relationships with us	0.496	0.623
10 Learning intent	The venture has a strong desire, determination and will to learn from its foreign parent	0.791	
	Learning from the foreign parent is an important objective of the joint venture	0.788	0.945

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.
a Rotation converged in 9 iterations.

As can be seen from the table, except the measure of calculation-based trust, cronbach's alphas for all other measures were 0.766 or above, indicating a high levels of reliability. The measure for calculation-based trust is 0.623. This is acceptable, given the fact that this is the first time trust was measured by this way in the context of IJVs. As noted by Hair et al. (1998), for explorative research, a cronbach's alpha of less than 0.7 can be acceptable.

Two conclusions can be drawn from the results of the above analyses. First, as multiple items measuring the same construct converged together and diverged with items measuring other constructs, the measurement shows construct validity (Neuman, 2000). The results, together with the results of reliability analysis indicate that the designed measures of constructs are satisfactory. Second, the identification of several distinct factors, coupled with the finding that the first factor did not account for the majority of the variance, indicates that a substantial amount of common method variance does not appear to be a problem (Podsakoff and Organ, 1986).

In subsequent analyses, I used an overall index for each factor, calculated by the mean of loaded items.

5.3.2 Normality diagnosis, descriptive analysis and correlations

5.3.2.1 Normality diagnosis

To check the sample distribution of a variable, I observed (1) the skewness statistic, which measured the symmetry of the sample distribution, (2) the kurtosis statistic, which measured the sample distribution's peakedness, and (3) the histogram with normal curves. The ratios between each statistic and its standard deviations were calculated to see whether the variable was distributed normally or not. The results showed that all variables had a reasonable normality, except the IJV size variable (which was measured by the number of employees in the IJV). This variable had a substantial positive skewness and its tails were much longer than those of a normal distribution. As noted by Tabachnick and Fidel (1983), either logarithmic transformation or square root transformation should be used to address this problem, depending upon the severity of the problem. It was found that the logarithmic transformation of the IJV size variable adequately addressed normality assumptions.

5.3.2.2 Descriptive statistics and correlations

The first two columns of **Table 5-4** present the means and standard deviations of variables in this study. The mean and standard deviation of IJV size were calculated for the log variable. As can be seen, all variables had good variance with variable means generally in the middle of their range.

Pearson correlation coefficients were calculated for each pair of variables. The results are shown in column 1 to column 15 of Table 5-4. As can be seen, knowledge acquisition is significantly associated with IJV performance ($r = 0.286$, $p < 0.01$). Knowledge acquisition is also associated with learning intent ($r = 0.447$, $p < 0.01$), relatedness ($r = 0.425$, $p < 0.01$), investments in training ($r = 0.619$, $p < 0.01$), ability to learn ($r = 0.644$, $p <0.01$) joint participation ($r = 0.514$, $p < 0.01$), foreign parent's willingness to share ($r = 0.580$, $p < 0.01$), knowledge-based trust ($r = 0.515$, $p < 0.01$), and identification-based trust ($r = 0.382$, $p < 0.01$). It is, however, not significantly associated with any of the control variables. Calculation-based trust was related to neither knowledge acquisition nor performance.

In addition to the knowledge acquisition-performance relationship noted above, joint venture performance is also associated with learning intent ($r = 0.187$, $p < 0.05$), investments in training ($r = 0.405$, $p <0.01$), ability to learn ($r = 0.396$, $p <0.01$), joint participation ($r = 0.361$, $p < 0.01$), knowledge-based trust ($r = 0.351$, $p < 0.01$), identification-based trust ($r = 0.244$, $p < 0.01$), IJV age ($r = 0.200$, $p < 0.05$), IJV size ($r = 0.338$, $p < 0.01$), and VN_Parent ownership ($r = 0.195$, $p < 0.05$).

Table 5-4: Descriptive statistics and correlations among variables

		Mean	S. D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	Performance	3.716	.846															
2	Knowledge Acquisition	3.923	.651	.286**														
3	Learning Intent	3.951	.700	.177*	.447**													
4	Relatedness	3.902	.746	.158	.425**	.183*												
5	Investment in Training	3.462	.871	.405**	.619**	.311**	.219**											
6	Ability to learn	3.972	.674	.396**	.644**	.360**	.182*	.650**										
7	Joint Participation	3.990	.658	.361**	.514**	.329**	.258**	.562**	.608**									
8	FP's willingness to share	3.830	.714	.158	.580**	.404**	.228**	.455**	.383**	.345**								
9	Calculation-based Trust	3.487	.578	.052	.074	.117	.043	.078	.128	-.019	-.011							
10	Knowledge-based Trust	3.901	.562	.351**	.515**	.271**	.256**	.490**	.402**	.443**	.491**	.292**						
11	Identification-based Trust	3.501	.589	.244**	.382**	.268**	.008	.362**	.339**	.364**	.368**	.078	.434**					
12	IJV age	9.208	4.518	.200*	.025	.034	-.006	.074	.174*	-.004	-.148	.206*	-.169*	-.108				
13	Equity Split (local)	37.474	14.609	-.121	-.044	.011	-.144	-.064	-.035	-.036	-.077	.094	-.059	-.061	-.103			
14	IJV size (log)	5.213	1.397	.338**	.088	-.064	.011	.064	.149	-.031	-.060	-.033	.013	-.011	.405**	-.265**		
15	Technology intensity	0.396	.491	.053	.024	-.019	.022	-.006	.066	-.091	-.012	.280**	.019	-.061	.151	-.059	.085	
16	VN_Parent Ownership	0.578	.496	.195*	-.088	.053	-.034	-.033	.145	-.020	-.168*	.120	-.074	-.031	.612**	-.166*	.431**	.208**

N = 154; * Correlation is significant at the 0.05 level (2-tailed); ** Correlation is significant at the 0.01 level (2-tailed).
Actual mean for IJV size (Number of employees) is 430.39.

5.3.3 Hypothesis testing

Hypothesis testing included examination of different multiple regression models for predicting knowledge acquisition (Appendices 2 to 7) and IJV performance (Appendices 8 to 11). Multiple regression analysis is a statistical technique that can be used to analyze the relationship between a single dependent variable and several independent variables. For each of the independent variables in the regression models, the variable inflation factor (VIF) was calculated. A VIF is an indicator of the effect the other independent variables have on the variance of a regression coefficient. Large VIF values indicate a high degree of multicollinearity among the independent variables. The results show that VIF of independent variables in all regression models ranged from 1.014 to 3.040. As a rule of thumb, a VIF value for a variable of less than 10 is deemed acceptable (Gujarati, 1995; Hair et al., 1998). Thus, the data indicate no substantial problems with multicollinearity.

5.3.3.1 Knowledge acquisition models

Table 5-5 presents the main regression results for knowledge acquisition. Figures presented in this table were reproduced from Appendices 1 to 6. The first 5 models examine the impacts of different sets of independent variables on knowledge acquisition. Model 6 examines the impacts of all independent variables on knowledge acquisition.

Model 1 includes only control variables as the independents. This model is not significant and no independent variable is significantly associated with knowledge acquisition, except VN_parent ownership type. This variable has a weak significant association with knowledge acquisition ($p < 0.1$).

Model 2 examines the predictability of just learning intent on knowledge acquisition, controlling for the effects of IJV age, Equity Split (local), Size (log), Technology Intensity, and VN_Parent ownership. This model is highly significant with adjusted R^2 of 0.217 ($p < 0.001$). Learning intent is highly significantly associated with knowledge acquisition ($\beta = 0.473$, $p < 0.001$).

Model 3 examines the predictability of four absorptive capacity factors. It appears that relatedness, investment in training, and ability to learn have strong significant positive associations with knowledge acquisition ($\beta = 0.284$, $p < 0.001$; $\beta = 0.244$, $p < 0.01$; and $\beta = 0.417$, $p < 0.001$ respectively). Joint participation, however, has insignificant relationship with knowledge

acquisition. This model is highly significant with adjusted $R^2 = 0.558$ ($p < 0.001$).

Table 5-5: Multiple regression results for knowledge acquisition

Variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β	Model 5 β	Model 6 β
Control variables						
IJV age	.091	.078	.015	.136	.255**	.089
Equity Split (local)	-.032	-.031	.022	.034	.032	.046
Size (log)	.117	.172*	.076	.117	.071	.089
Technology Intensity[a]	.029	.046	.031	.012	.051	.034
VN_Parent Ownership [a]	-.195^{+}	-.240*	-.175*	-.106	-.204*	-.170*
Main variables						
Learning Intent		.473***				.133*
Relatedness			.284***			.243***
Investment in Training			.244**			.133^{+}
Ability to Learn			.417***			.321***
Joint Participation			.054			.003
FP's Willingness to Share				.596***		.206**
Calculation-based Trust					-.135^{+}	-.040
Knowledge-based Trust					.491***	.090
Identification-based Trust					.216**	.080
Adjusted R Square	-.005	.217	.558	.341	.318	.634
F	.841	7.936***	21.934***	13.950***	9.730***	19.448***

N= 154; $^{+}p < 0.1$; *p<0.05; **p<0.01, ***p<0.001

[a] Technology intensity and VN_Parent Ownership are dummy variables
All coefficients are standardized

Model 4 includes just the foreign parent's willingness to share knowledge with the IJV. This model is also significant with adjusted R^2 of 0.341 ($p < 0.001$). FP's willingness to share is highly significantly positively associated with knowledge acquisition ($\beta = 0.596$, $p < 0.001$).

Model 5 examines the predictive powers of three types of trust. The model is significant with adjusted $R^2 = 0.318$ ($p < 0.001$). There is a tendency toward a negative significant association between calculation-based trust and the level of knowledge acquired ($\beta = -0.135$, $p < 0.1$). Knowledge-based trust has strong positive significant relationship with knowledge acquisition at $p < 0.001$ and $\beta = 0.491$ and identification-based trust is also positively associated with knowledge acquisition ($\beta = 0.216$, $p < 0.01$).

In model 6, all control and independent variables were entered into the regression equation. Four of the independent variables appeared to contribute significantly to the variance in knowledge acquisition—learning intent, relatedness, ability to learn, and FP's willingness to share. Investment in training also has a weak association with knowledge acquisition in this model ($p < 0.1$). Compared to the individual independent variable models (model 2, 3, 4, and 5), relatedness and ability to learn maintained the same level of significance ($p < 0.001$) while the significance level of learning intent dropped from $p < 0.001$ to $p < 0.01$, of joint participation declined from $p < 0.001$ to $p < 0.05$, and of investment in training fell down from $p < 0.01$ to $p < 0.1$. Knowledge-based trust and identification-based trust lost their significances in this model. There is a much improvement in predictive power of this model. It explains 63.4% of the total variance in knowledge acquisition (adjusted $R^2 = 0.634$, $p < 0.001$) as compared to 21.7%, 55.8%, 34.1%, and 31.8% of model 2, 3, 4, and 5. To check whether the improvement was significant, I performed the adjusted R^2 change tests (not shown in the table). The statistics showed that when all possible independent variables were included in the model (model 6), the adjusted R^2 changed significantly compared to any other models.

Looking across all models from 1 to 6, it can be seen that among control variables, equity contribution of the local partner and technology intensity do not have significant relationships with knowledge acquisition in any of the models. IJV age is positively significantly associated with knowledge acquisition ($\beta = 0.255$, $p < 0.01$) in model 5. IJV size is significantly associated with knowledge acquisition with $\beta = 0.172$ ($p < 0.05$) in model 2. VN_Parent ownership has a negative significant relationship with knowledge acquisition in almost all models, except model 4 ($\beta = -0.195$, $p < 0.1$ in model 1, $\beta = -0.240$, $p < 0.05$ in model 2, $\beta = -0.175$, $p < 0.05$ in model 3, $\beta = -0.204$, $p < 0.05$ in model 5, and $\beta = -0.170$, $p < 0.05$ in model 6). This suggests that IJVs, which have non-state-owned Vietnamese parents, reported a significant higher level of knowledge acquired from their foreign parents than the IJVs, which have state-owned Vietnamese parents.

H1 posits that learning intent is positively associated with knowledge acquisition. Results from model 2 and model 6 support this hypothesis. It was hypothesized in H2a, H2b, H2c, and H2d that relatedness, investment in training, ability to learn, and joint participation is positively related to knowledge acquisition. The results in model 3 and model 6 show that H2a, H2b, and H2c are supported meanwhile there is no evidence to support H2d. Join participation has non-significant relationships with knowledge acquisition in either model 3 or model 6. H3 puts forward a positive significant relationship between FP's willingness to share and knowledge acquisition. As can be seen in model 4 and model 6, this hypothesis is supported. H4a, H4b, and H4c hypothesize a positive significant association between each type of trust (calculation-based trust, knowledge-based trust, and identification-based trust respectively) and knowledge acquisition. Model 5 and model 6 show that hypotheses H4b and H4c were partially supported. Knowledge-based trust and identification-based trust are significantly associated with knowledge acquisition in model 5 but not in model 6. The results not only do not support H4a, but also provide reverse evidence, expressed in the negative sign of regression coefficient for calculation-based trust. Although the association between this type of trust and knowledge acquisition is weak, it is opposite to what was expected according to theory. This provides some interesting implication for practice.

5.3.3.2 Performance models

Table 5-6 presents the main regression results for IJV performance. Figures presented in this table were reproduced from Appendices 7 to 10.

Model 7 includes only control variables as independents. This model is significant at $p < 0.01$ with adjusted R^2 of 0.09. IJV size is the sole variable which has significant relationship with *performance* ($\beta = 0.291$, $p < 0.01$). This significant relationship is hold throughout all performance models.

Model 8 addresses the knowledge acquisition from foreign parents to predict IJV performance. This variable contributes to 16% of the variance in performance, and is statistically significant ($\beta = 0.276$, $p < 0.001$). Hypothesis 5 (which states that an IJV's knowledge acquisition from its foreign parent is positively associated with its performance) is supported.

Table 5-6: Multiple regression results for IJV performance

Variables	Model 7	Model 8	Model 9	Model 10
Control variables				
IJV age	.077	.042	.077	.084
Equity Split (local)	-.025	-.021	-.018	-.013
IJV Size (log)	.291**	.260**	.237**	.244**
Technology Intensity [a]	.014	.013	.051	.053
VN_Parent Ownership [a]	.023	.089	.043	.023
Knowledge Acquisition		**.276*** **		**-.119**
KA antecedents				
Learning Intent			.068	.082
Relatedness			.009	.039
Investment in Training			.192^{+}	.209^{+}
Ability to learn			.048	.086
Joint Participation			.108	.109
FP's willingness to share			-.097	-.072
Calculation-based Trust			-.100	-.103
Knowledge-based Trust			.222*	.233*
Identification-based Trust			.073	.080
Adjusted R Square	.090	.160	.257	.256
F	3.872**	5.601***	4.555***	4.308***

N= 154; $^{+}$p < 0.1; *p<0.05; **p<0.01, ***p=<0.001

[a] Technology intensity and VN_Parent Ownership are dummy variables

All coefficients are standardized

To test the mediating impact of knowledge acquisition (hypothesis 6), I followed the method recommended by Baron and Kenny (1989). This method classifies variables into three types: independent, dependent, and mediating variables. In my proposed model, knowledge acquisition antecedents, including learning intent, relatedness, investment in training, ability to learn, joint participation, FP's willingness to share, calculation-based trust, knowledge-based trust, and identification-based trust are dependent variables, IJV performance is the dependent variable, and knowledge acquisition is the mediating variable. The mediation test was done through four steps:

Step 1: Show that the knowledge acquisition predictors have an effect on IJV performance that may be mediated by knowledge acquisition. This was established through the regression equation in model 9. This model used all knowledge acquisition antecedents as predictors and IJV performance as the outcome variable. As can be seen, this model is highly significant, explains 25.7% of the total variance in IJV performance (adjusted $R^2 = 0.257$, $p < 0.001$). Knowledge-based trust and investment in training is positively significantly associated with IJV performance ($\beta = 0.222$, $p < 0.05$ and $\beta = 0.192$, $p < 0.1$ respectively). Thus, antecedents of knowledge acquisition have a relationship with IJV performance that may be mediated by knowledge acquisition.

Step 2: Show that the independent variable (knowledge acquisition antecedents) is correlated with the mediator (knowledge acquisition). This can be seen in model 6 (Table 5-5) in which the regression equation uses knowledge acquisition as the outcome variable and knowledge acquisition antecedents as predictors.

Step 3: Show that the mediator (knowledge acquisition) affects the dependent variable (IJV performance), controlling for the effect of the independent variable (knowledge acquisition antecedents). This could be tested through a regression equation that uses IJV performance as the outcome variable and both knowledge acquisition antecedents and knowledge acquisition as predictors. As can be seen in model 10, knowledge acquisition does not have a significant relationship with performance, indicating that this step is not met.

Step 4: Use the same regression equations in step 3 and step 1 to observe the impact of independent variables (knowledge acquisition antecedents) on dependent variable (IJV performance) after controlling for the effect of the mediating variable (knowledge acquisition). There can happen three cases. First, if this impact remains the same as before controlling for the effect of the mediating variable, there is no evidence of a mediating effect. Second, if it reduces in absolute size but is different from zero, there is an evidence of a partial mediation. Third, if it is zero, then there is an evidence of a complete mediating relationship. Model 9 and 10 shows that the impact of knowledge-based trust and investment in training on IJV performance after controlling for the effect of knowledge acquisition (model 10) remain almost the same at $p < 0.05$ and $p < 0.1$ respectively as before doing so (model 9). This result, coupled with the fact that step 3 is not met, indicates that knowledge acquisition fails to mediate the relationship between its antecedents and IJV performance. Specifically, knowledge-based trust and investment in training

contributes to IJV performance beyond the extent to which they provide knowledge acquisition from the venture's foreign parent.

5.3.4 A summary of results

Table 5-7 presents a summary of hypothesis testing results.

Table 5-7: Results of hypotheses testing

Hypotheses		**Results**
H1	An IJV's learning intent is positively associated with its level of knowledge acquisition from the foreign parent.	Supported
H2a	Relatedness between an IJV and its foreign parent business is positively associated with the IJV's level of knowledge acquisition from the foreign parent.	Supported
H2b	An IJV's investment in training is positively associated with its level of knowledge acquisition from the foreign parent.	Supported
H2c	An IJV's employees' ability to learn is positively associated with the IJV's level of knowledge acquisition from its foreign parent.	Supported
H2d	Joint participation of local personnel with expatriates in shared activities of an IJV is positively associated with the IJV's level of knowledge acquisition from its foreign parent.	Not supported
H3	The foreign parent's willingness to share knowledge with the IJV is positively associated with the IJV's level of knowledge acquisition from its foreign parent.	Supported
H4a	Calculation-based trust between two parents is positively associated with the IJV's level of knowledge acquisition from its foreign parent.	Marginally rejected
H4b	Knowledge-based trust between two parents is positively associated with the IJV's level of knowledge acquisition from its foreign parent.	Partially supported
H4c	Identification-based trust between two parents is positively associated with the IJV's level of knowledge acquisition from its foreign parent.	Partially supported
H5	An IJV's level of knowledge acquisition from its foreign parent is positively associated with the IJV's performance.	Supported
H6	An IJV's level of knowledge acquisition from the foreign parent mediates the relationship between knowledge acquisition antecedents and the IJV's performance.	Not supported

As can be seen, six out of eleven hypotheses were fully supported, two hypotheses were partially supported, two were not supported, and a hypothesis was marginally rejected.

5.4 Survey limitations

This study has several limitations:

- First, as many other research on organizational learning, I have relied on one person to characterize learning in the whole venture. Organizational members representing different levels and functions (including technical and administrative) may well have unique contributions to make in assessing learning by the venture.
- Second, the sample includes established and relatively successful joint ventures. As factors shaping learning and learning level in these IJVs may be very different from those in younger ventures or those in IJVs which did not survive, a replicating study could be conducted with a sample that includes these types of IJVs. Longitudinal studies tracing IJVs from formation could be used to capture this information, and may also be useful in assessing rates of learning and the impact of learning on survival.
- Third, in-depth information covering many aspects of the phenomenon cannot be obtained by the surveying method. This gap can only be filled by interviewing or some other qualitative techniques as presented in next chapter, the multiple-case study.

6. Multiple-case study

6.1 Multiple-case study objectives

The multiple-case study serves four purposes:

- To provide in-depth knowledge about what each variable means in practice.
- To compare and contrast the situation in each case in order to illustrate how relationships between different variables are shaped by the case's particular context.
- To extend and enrich the survey results by incorporating more information on different types of knowledge acquired and how they are acquired.
- To create a complementary basic for the recommendations.

6.2 Methodology

This study follows Yin's (1989) multiple-case study method, which include five standard steps: (1) development of a theoretical framework, (2) selection of cases, (3) design of the case study protocol, (4) collection of case study evidence, and (5) analysis of case study evidence.

6.2.1 The theoretical framework

Yin (1989) noted that the theoretical framework for the case studies includes a number of theoretical propositions that can serve as guidelines for the research and be used for case study data analysis. For providing further illustrations and explanations of the phenomenon under investigation, I relied primarily on the conceptual model developed in section 3.2 to build the case study framework. The framework, thus, describes the same set of relationships plus an additional proposition. Additional proposition is based on a premise that the process of knowledge acquisition from foreign parents in IJVs is shaped by different IJV contexts. Propositions are stated as follows:

> *Proposition 1: The hypothesized relationships between knowledge acquisition, its antecedents, and performance are held the same across different types of IJV. Specifically, an IJV's higher level of learning intent, absorptive capacity, foreign parents' willingness to share knowledge, and trust between two parents lead to a higher level of IJV knowledge acquisition from foreign parents; knowledge acquisition, in turn, leads to a higher level of IJV performance.*

Proposition 2: The contents and characteristics of IJV knowledge acquisition from foreign parents are different for different types of IJV.

6.2.2 Selection of cases

Four cases were selected for this study based on 2 dimensions: the level of technology intensity of the industries within which the IJVs operate and the type of foreign parent companies, i.e. whether the foreign parent is a big Multinational Corporation (MNC) or a small company. In Vietnam, big MNCs usually enter into IJV contracts with local SOEs and small foreign companies usually joint with the local private companies. This was exactly the case of four selected IJVs. The two dimensions were chosen to provide an illustration and further information for what had been found in the empirical survey. To control for possible extraneous impacts due to differences in foreign parents' countries of origin, all cases were selected to have European foreign partners. Please see **Figure 6-1** for the map of four cases.

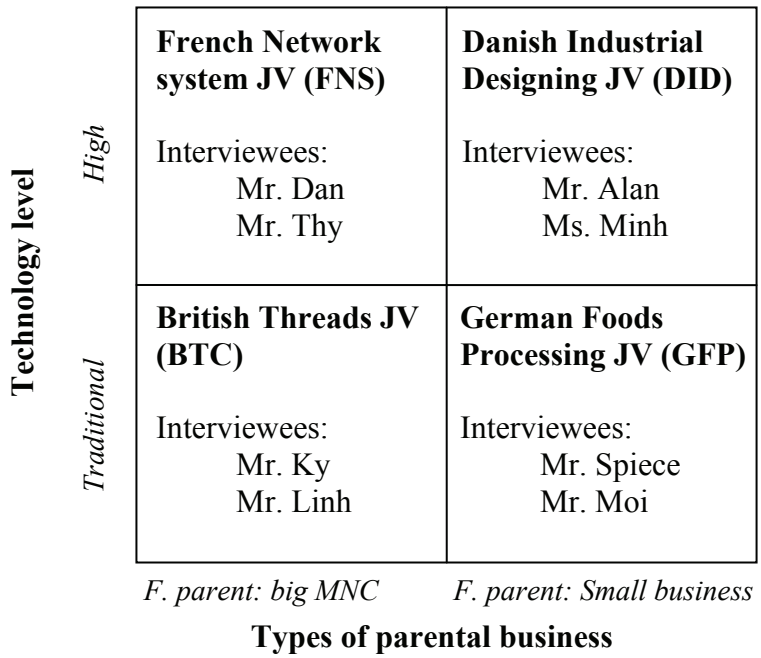


Figure 6-1: The studied cases[4]

[4] The names of IJVs and interviewees are changed for the purpose of anonymity

6.2.3 The case study protocol

A case study protocol was developed for this study that contains the followings:

1. Overview of the case study research
2. Procedures
3. Interview questions. The questions cover the following topics: background of the company, background of the interviewee, the IJV's knowledge acquisition activities, organizational mechanisms for acquiring foreign parent knowledge, facilitators and obstacles for knowledge acquisition, and the interviewee's evaluation of their IJV's foreign parent knowledge acquisition effectiveness and performance.
4. Reminders
5. Guide for the case study report.

The complete case study protocol is included in Appendix 12.

6.2.4 Collection of case study evidence

Within each case, I used a triangulation of data collection methods including field observations, documents, and interviews.

Field observations were done at the same time with the interviews, in which observable things were taken note of. IJVs' corporate brochures, websites, and publications about the companies including newspapers, magazine articles, and student theses were collected before, during and after the interviews.

I conducted in-depth interviews with two people in each case. Each interview lasted from one to two hours, depending on the situations. Interviews with Vietnamese nationals were conducted in Vietnamese and with foreign nationals were conducted in English. All interviews were carried out at the companies' sites. They were all tape recorded and then transcribed in verbatim by myself. Together, all interviews transcriptions resulted in more than 100 pages of computer text.

6.2.5 Analysis of case study evidence

I used pattern-matching and explanation-building modes of analysis (1997). Pattern-matching is to compare an empirically based pattern with a predicted

one. Explanation-building aims at building explanation about the case based on the case data. This mode of analysis is relevant to explanatory case studies which involve a set of causal links about the studied phenomenon like the ones in this study.

To analyze the case data, I adopted a standard content analysis procedure assisted by qualitative data analysis software called NVivo, version 2.0. NVivo is software that helps qualitative researchers to access, manage, shape, and analyze detailed textual and/or multimedia data by removing manual tasks like classifying, sorting, and arranging information. First, I developed a coding scheme based on the literature and theoretical propositions. Then, based on the coding scheme, I coded each individual interview along various dimensions of knowledge acquisition as well as different factors that may have potential effects on knowledge acquisition. Finally, I conducted cross-case comparisons to identify similarities and differences on each dimensions/ components, on which the linkage between different variables/ factors were established.

6.3 Results

6.3.1 Background of studied IJVs and interviewees

6.3.1.1 French Network Systems Vietnam

French Network Systems Vietnam (FNS) is a joint venture between French Networks Corporation (France-based) and Vietnam Posts and Telecommunications (VNPT). French Networks Corporation is a multinational company that provides communications solutions to telecommunication carriers, Internet service providers, and enterprises for delivery of voice, data, and video applications to their customers or employees. Operating in more than 130 countries with sales of Euro 13.1 billions and 58,000 employees in 2005, French Networks Corporation is one of the leading MNCs in fixed and mobile broadband networks, applications and services. VNPT is an SOE specialized in Posts and Telecommunications (P&T) industry. Its main activities include providing P&T services, designing and constructing P&T works, manufacturing and supplying P&T materials and equipments. VNPT operates on the nationwide scope. In 2005, it employed 15,000 people and had USD 2.37 billions in revenues. It was the monopoly company in the Vietnamese P&T industry prior to 1995 and is still a dominant player today.

FNS was founded in 1993 with the objective of producing and supplying remote switching systems that belongs to French Networks Corporation E-10 digital switching systems to serve local and international market. It was the first IJV in the Telecommunications industry in Vietnam. Total investment of the IJV was USD 20 millions. The foreign partner contributed 51% of equity stake under the form of cash, technology, and equipment. The local partner contributed 49% equity under the form of land-use right and buildings. The JV was licensed to operate for 20 years.

Located in Hanoi, FNS currently employs 130 people and occupies 45% of the local switching systems market. The JV has three centers representing its three areas of operation: the Industrial centre, the Operation centre, and the Technical centre. The Industrial centre is equipped with an assembly line to produce all remote switching systems belonging to French Networks Corporation E-10 switching systems with annual capacity of 450.000 lines. The Operation centre is responsible for providing all customer-related services such as consulting, supervising installation, technical support, marketing and after-sale services, and upgrading telecommunications networks in terms of hardware and software for all telecommunication equipments supplied by the foreign parent and the joint venture. The Technical centre produces and supplies different network management software.

At the JV formation, key staffs were employed from the parental companies. The Deputy General Director, Director of Operations, and Director of Industrial Centre were from the local parent company; the General Director, the Director of the Technical centre, and the Director of Finance, Accounting, Administration and Human Resources were from the foreign parent company. Other employees were recruited from the local labor market. In the first 3 years of the IJV operation, the foreign parent sent experts (maximum 10 people at one point in time) to the IJV to help. The number of in-coming experts had decreased over time. At the end of 2005, when the interviews were made, only the General Director remained in position. This person also acts as the Regional Director, hence, spends only one-third of his time in Vietnam. Day-to-day operation of the IJV is done by the Vietnamese.

I did two interviews at FNS. An interview was made with the Director of the Technical centre, who has been with the JV since its formation, first as a technician and then promoted to the current position. He is also responsible for technology transfer at the JV. The other interview was made with the Director of Operation centre who has been with the JV since 1995.

6.3.1.2 British Threads Joint Venture Co. Ltd.

British Threads Joint Venture Company Ltd. (BTC) is a joint venture between British Threads (U.K-based) and Mien Bac Textile Company. With 25.000 employees, production bases in 67 countries and sales of USD 1711.9 millions at 2004 year-end, British Threads is the world biggest thread manufacturer. Mien Bac Textile Company is a state-owned company belonging to the Vietnam National Textile and Garment Corporation (Vinatex). It is one of the biggest textile companies in Vietnam. It offers various textile products including yarns, towel, fabrics, denim jeans, shirts, and threads. At the end of 2005, it employed 3.900 employees and had USD 50 millions in export turnover.

BTC was founded in 1989 with the objective of producing and supplying threads for local and international markets. It was the first IJV in the light industry in Vietnam. Total investment of the IJV was USD 19 millions. The foreign partner contributed 75% of equity stake under the form of cash, technology, and equipment. The local partner contributed 25% equity under the form of land-use right and buildings. The JV was licensed to operate for 50 years.

Headquartered in HCMC, BTC is currently the leading thread supplier in Vietnam occupying nearly half of the total market share and approximately 800 customers. The JV has 920 permanent employees. It has two production sites: one in the headquarter in HCMC and the other one in Hanoi. The two sites operate independently yet share human resources management function.

Right after getting the investment license, the JV was formed with 5 key managerial staff together with a number of workers coming from the local parental company. The rest was newly hired by the JV. In the period from 1989 to 2000, the company had been operated under a purely local management team. There were no permanent expatriates on sites. Since 2000, there have always been three expatriates: the General Director, the Production Manager of HCMC, and the Sales Manager of HCMC. Each of them resides in Vietnam for a two-year term and then replaced by expatriates from the foreign parent company.

I did two interviews at this company. An interview was made with the Director of Hanoi Branch, who is also the Director of Human Resources for the whole company. As such, he spends 3 weeks in Hanoi and a week in HCMC every month. He has been with the JV since 1997. The other

interview was with the Hanoi Branch Production Manager, who previously worked for the local parent company and has been with the JV since its formation.

6.3.1.3 Danish Industrial Designing Joint Venture

Danish Industrial Designing Joint Venture (DID) is a joint venture between Danish Designing and Sun Advertising. Established in 1974, Danish Designing is one of the most recognized design companies in Denmark. It focuses mostly on Danish market and only recently has opened offices in China and in Vietnam. Sun Advertising is a Vietnamese private company established in 1994. It specializes in advertising and organizing events, and did not have expertise in designing before forming the JV.

DID was officially launched in April 2004. It offers industrial design services, including product design, package design, and graphic design. It is the first industrial design joint venture in Vietnam that was established to 'seize the opportunity opened due to protection of intellectual property rights when Vietnam joins the WTO', as said by the Managing Director. Total investment of the IJV was USD 200 thousands in which equity stake was contributed equally by both parties. The JV was licensed to operate for 15 years.

Located in HCMC, the joint venture employs 15 people. Currently, it has no competitor in the market segment that it competes. The company has been able to get more than 30 customers over the last two years including local SOEs as well as big MNCs such as Carlsberg, Fuji, Scandinavian Airlines, and Teltrapak. Except the managing director and his wife, who come from the foreign parent company, all other staff was newly recruited either from Vietnam or from other countries. The owner/ managing director of the local parent serves as the vice chair of the Board of Management of the joint venture. She does not involve in daily management of the JV.

Two interviews were made at this IJV: one was with the Managing Director and the other one was with the Vice Chair.

6.3.1.4 German Foods Processing Joint Venture

German Foods Processing Joint Venture (GFP) is a joint venture between GBC company from Germany and Kim Thanh company. Kim Thanh is a one-man Vietnamese company. Though is the local parent, it is a part of the joint

venture. GBC is a Germany-based two-man (the owner and his son) company, established six years ago. It provides construction services.

GFP registered business operation in 2000. Specialized in food processing, the JV aims at supplying traditional German and Vietnamese sausages and other products that meet European hygiene standards to the local market. It is planning to export these products to other markets such as Japan. Total investment of the JV is approximately USD 3.5 millions with the Vietnamese occupies 51% and the German 49% of the equity stake. The Vietnamese partner holds the managing director position, responsible for the overall operation of the company. The owner of foreign parent company holds deputy managing director position, responsible for production and product quality. Each year, he spends several short periods of time in Vietnam. His son, a marketing expert, also comes to Vietnam to act on behalf of the father. This young man is going to take over his father's role in the years to come.

The joint venture's headquarter is located in Hanoi. It has two production sites: a small one in Thanh Xuan District, Hanoi, and a bigger one in Pho Noi Industrial Park, Hung Yen Province. At the moment, it employs 220 employees: 20 managers, 50 sales, marketing and delivery staffs, and 150 production workers. It is a well-known food producer and has received the 'prestige Vietnamese brands' award in the last two consecutive years.

I made two interviews at this IJV: one was with the managing director and the other one was with the son of the deputy managing director who also acts as the marketing manager.

6.3.1.5 Summary of studied IJVs' backgrounds

Table 6-1 summarizes basic information on four cases.

By number of employees, GFP is bigger than FNS but by culture, GFP works like a small company while FNS works like a big company because FNS replicates its foreign parent's business practices. The total of investment in DID is small because it does not have a production line likes the other three companies.

Table 6-1: Basic information of the studied joint ventures

Source: Companies' websites, documents, and interviews

Characteristics	French Network Systems Vietnam (FNS)	British Threads Company (BTC)	Danish Industrial Designing (DID)	German Foods Processing (GFP)
Products	- Remote switching systems for E-10 switching systems - Services related to French Networks Corporation equipments - Network management software	Threads for sewing, embroidering and footwear	Industrial Design: - product design - package design - graphic design	Foods: - Traditional German and Vietnamese sausages - Hams and smoked pork meats - Fresh pork
Years of Establishment	1993	1989	2004	2000
Total invested capital in millions USD	20	19	0.2	3.5
Foreign - Local Equity split	51/49	75/25	50/50	49/51
Contract duration in years	20	50	15	35
Number of employees	130	920	15	220
Market served	Local and International	Local and International	Local	Local

6.3.2 IJVs' performance

All four studied IJVs can be considered as relatively successful companies. FNS and BTC were the first IJVs in their industries. They have established strong footholds in the market. FNS has annual sales of approximately USD 1 million, occupies 45% of the market share. BTC's Return on Investment (ROI) ratio has been always more than 20%, much bigger than the industry's average. It has virtually no competitors in the market segments that it serves.

DID is also a 'monopoly' in the high-end industrial design market with a fast expansion of the customer base. The managing director of this company, however, was not highly satisfied with the company's performance. He thought the company should have done better. Started off small five years ago, GFP has recently been able to invest quite a big amount of money (more than Euro 2 millions) to expand its business. It has a strong brand name in the market and is growing very rapidly. Their performance can be evaluated as high (FNS), high (BTC), medium-high (DID), and high (GFP).

6.3.3 Knowledge acquisition from foreign parents

All four IJVs reported that they have acquired knowledge from their foreign parents. Types and extents of knowledge acquisition differ from IJV to IJV. The following paragraphs examine knowledge acquisition in terms of different knowledge classification methods.

6.3.3.1 Acquisition of different kinds of business knowledge

As a company operates in a high-technology industry, FNS focuses on learning technological expertise from its foreign parents and this is an area where it gained most. At the company, whenever there is an emerging new technology, staffs are sent to study. The study of technological expertise is rather dynamic, depending on the industry situation and is normally not planned well in advanced. In contrast, knowledge of manufacturing processes is not so complicated and after a short training period at the beginning of the JV operation, the IJV has mastered the processes to be able to produce products at required quality and efficiency levels. Besides technological expertise and manufacturing processes, key managers have also acquired a fair amount of managerial and marketing knowledge due to being sent to short training courses in managerial skills and marketing as well as learning from on-site expatriates. Acquiring managerial knowledge from foreign parent, however, has been loosening over time as younger managers replaced their precedents. In other words, more training on managerial skills occurred at the beginning of the JV operation. The following quote demonstrates this phenomenon:

> "I learn managerial skills mainly by myself, not from the foreign parent. In fact, French Networks Corporation offers training courses in managerial skills but they are too expensive. Well, the former director of this centre (who is now the Deputy General Director) was transferred managerial procedures… perhaps from some of those courses."
>
> *(Director of the Operation centre, FNS)*

Unlike FNS, to BTC, a company in the thread industry, knowledge about manufacturing processes is the most important. The company has to assure excellence in manufacturing to produce products tailored to customers' demand at the shortest time and the lowest defect rate. This is, according to the JV's informants, the company's competitive advantage. As such, manufacturing processes were the JV's focus of learning and this is an area where the JV has mastered for the last 15 years. Technological expertise lies in a software called ColourTalk System that allows the company to generate any thread colors required by customers. The company's technical employees are skillful in using this software, yet they are not able to develop similar software themselves. In terms of managerial and marketing knowledge, the foreign parent training is limited to senior managers. Training for middle managers and supervisors is a responsibility of the joint venture itself, usually using services of independent training institutions.

At DID, the managing director seems working in solo with little communication with either the foreign parent or the local parent.

> "I consider myself as the managing director of this unit, rather than a representative of the foreign parent company."

He himself relies on his and his wife's expertise to run the business. Since the joint venture has little interaction with the foreign parent, the managing director and his wife is the main source of foreign parent's knowledge (they used to work for the foreign parent company before coming to Vietnam to manage the joint venture). Within the JV, almost all managerial activities are conducted by them. There seems to be no need to train the local side of how to manage. Learning from foreign parent in this venture is limited to design expertise, i.e. technological and product development expertise, which the local employees have learnt from the managing director and his wife. According to the managing director, the learning process in his IJV happened slowly and up to the time of the interview, the Vietnamese designers had not been to conduct sophisticated designs. In terms of graphic design for example, the local employees can only do two-dimensional design, let alone three-dimensional design for the managing director, his wife, and employees who were recruited from other countries to do.

GFP is somewhat similar to BTC in that the manufacturing process and technological expertise is the most important because these are what distinguish the company from other food producers in the market. Since the foreign parent does not operate in the same industry, these types of knowledge must be brought in from outside. As specified in the JV contract, the foreign partner must be responsible for technology and the owner/ managing director of the foreign parent company was the person who identified, selected, and brought technical experts to the JV to teach local employees about the production process. After a period, he himself also became a technical expert and local employees often turn to him for any technical questions. It is fair to say that the JV has learnt a good deal of technological and manufacturing knowledge from the foreign parent. Another area of knowledge that the JV acquires from the foreign parent is knowledge of marketing. This is because the son of the foreign parent's owner is a marketing expert. According to him, the JV's local employees have learnt something, but 'it takes and will take a long time till they can be able to do good marketing themselves'. GFP is dependent on the managing director (Vietnamese) for all managerial matters.

6.3.3.2 Acquisition of know-what, -how, and –why

As discussed in section 2.2.2.3, knowledge could be classified according to whether it is declarative (know-what), procedural (know-how), or wisdom (know-why). Know-what are knowledge describing facts and events, know-how concern with procedures to perform a task and know-why answer the question of why things occurred or should be done in the way it is being done. IJV learning from its foreign parent can also be analyzed by looking at knowledge this way.

At FNS and BTC, what they learnt most is 'method of working'. An interviewee stated:

> "What we learnt from the foreign parent can be summarized in one thing: the 'method of working'. By that I mean how to approach a problem, how to solve it, and the working responsibility, commitment, and style. Specific knowledge such as system configuration of a product, project management, software development knowledge can be learnt anytime, anywhere, not necessary from the foreign parent. No need to discuss this specific knowledge. Why can't we do what they do? It's because we do not know the working method. All we should learn from them is the method of working. People who are able to learn it can perform much better."
>
> *(Director of the Technical Centre, FNS)*

Ways or methods of working can be classified as know-how. As noted by Garud (1997), know-how is achieved through learning-by-doing. So the fact that FNS and BTC have learnt and mastered 'method of working' is not surprising given that these two IJVs have been established for a long time.

At DID, perhaps the acquisition of foreign parent knowledge has just reached the level of know-what and to some extent, some know-how. GFP has learned a little bit more in comparison with DID.

None of the studied IJVs reported that they have learnt a great deal of know-why from their foreign parents. Even in FNS and BTC, where there seem to have the highest level of knowledge acquisition from the foreign parents, this situation holds very clearly. Please see the following quotes:

> "They give us a mathematical problem and tell us to solve it according to this theory or that theory… They give us an idea, we develop based on that idea according to their requirements, but we don't know why. Everything was already defined before coming to us. We do not understand the ideas behind it, we cannot create the mathematical problem ourselves, and we do not have idea of what a new product might be needed by the market."
>
> *(Director of the Operation centre, FNS)*

> "What does the foreign parent bring to the JV in terms of training? They bring here the training organization model, the training needs assessment method, standards for training courses; they bring here the procedures of managing and organizing training. Well, if I don't have an MBA background, I would just follow their procedures and not understand why they do what they do."
>
> *(Director of Hanoi Branch, HRM Manager, BTC)*

> "Before taking MBA program at National Economics University, Hanoi, I worked, followed procedures at the company, but did not understand why. Only after attending that program, I can understand the principles behind those things."
>
> *(Production Manager, Hanoi Branch, BTC)*

6.3.3.3 Acquisition of component and architectural knowledge

As discussed in section 2.2.2.4, component knowledge is the knowledge that relates to 'parts' or 'components' while architectural knowledge is knowledge that relates to the whole. Different kinds of business knowledge discussed in section 6.3.3.1 earlier in this chapter are component knowledge. As such, all

four IJVs have acquired some kinds of component knowledge. The question is to what extent have they acquired architectural knowledge?

FNS has acquired some knowledge of this type from its foreign parent, especially knowledge relating to the overall management and operations of the JV. As said by the Director of Technical centre, FNS is 'actually a replication of French Networks Corporation in Vietnam'. Without expatriates, the Vietnamese are still able to run the business themselves with no difficulties. However, what FNS does in Vietnam is just a part of its foreign parent's value chain. For example, consider the manufacturing activities at the Industrial centre. What it does is just assembly, a small part of the whole production process. The JV can master its part but does not know anything about the rest. In other words, looking at the production part alone, FNS possesses component knowledge but does not have architectural knowledge.

> "We have a machine and software brought in from the foreign parent. We were trained very very carefully. But no matter how well we learn, it is just how to use a machine…All we do is to assemble the final products.
>
> …We have people who are very good at performing particular tasks but we have nobody who can write the whole process. The foreign parent has people who can do so, who can think about the whole process, describe each step and the interfaces between steps, and create the form report for each particular task."
>
> *(Director of the Operation centre, FNS)*

> "Talking about software, what we do here in Vietnam is just local adaptation. Everything is already there and we just make it tailored to Vietnamese customers' requirements. That's why we do not term our activities as 'research' because to me research means creating something completely new. We call our work 'software development'...
>
> We also develop software for foreign customers. In this case, French Networks Corporation is the supplier and we just do one small part of that big project."
>
> *(Director of the Technical Centre, FNS)*

Thus, in general, the acquisition of architectural knowledge from the foreign parent at French Networks Corporation can be rated as medium-low.

The situation is very similar in BTC. Though the JV can run its own business independently and successfully, as a part of the foreign parent's value chain, the JV is conducting a part of the production process: it imports materials from other subsidiary units, dyes them, and then sells to customers. Therefore,

the JV has mastered only one small part of the whole value chain (component knowledge) and does not really possess architectural knowledge.

> "We do have an R&D unit in HCMC. However, what the unit does is just to try to understand the foreign parent's technology in order to effectively deploy it in Vietnam. We do not create anything new here. We try to learn as much as possible what have already been developed elsewhere in the Corporation and apply it here."
>
> *(Production Manager, Hanoi Branch, BTC)*

At DID, none of the local employees is in the position that requires him/ her to coordinate the whole business. Therefore, none of them has acquired architectural knowledge. This knowledge still resides in the managing director's head.

A different situation happens at GFP, where the Managing Director (local partner) is responsible for the overall running of the business and the foreign partner is responsible for technology and marketing processes only. The Managing Director leads the business without much interference from the foreign partner. According to him, this is an area where learning takes place in an opposite direction, i.e. the foreign learns from the Vietnamese. It can be said that the JV does not gain any architectural knowledge from its foreign parent.

6.3.3.4 Summary of the studied IJVs' knowledge acquisition

Table 6-2 summarizes different types of knowledge acquired from foreign parents in each of the studied IJVs.

Overall, FNS appears to have acquired knowledge from its foreign parent most, followed shortly by BTC. GFP has learnt quite a fair amount of knowledge and DID seems not have learnt much from its foreign parent.

Table 6-2: Different types of knowledge acquired from foreign parents

Knowledge acquisition	**FNS**	**BTC**	**DID**	**GFP**
Technological expertise	High	High	Low-Medium	High
Manufacturing processes	High	High	NA	High
Product development expertise	Low-Medium	NA	Low	Low
Managerial expertise	Medium	Medium-High	Low	Low
Marketing expertise	Medium-High	Medium	Medium	Medium
Foreign culture and tastes	Medium	Medium	Low	Low
Know-what	High	High	Medium	High
Know-how	High	High	Medium-Low	Medium-High
Know-why	Low	Low	Low	Low
Component knowledge	High	High	Low-Medium	High
Architectural knowledge	Medium-Low	Medium-Low	Low	Low
Overall knowledge Acquisition	Medium-High	Medium-High	Low-Medium	Medium

6.3.3.5 Sustainability of knowledge acquisition

Consider the following conversation between the First Deputy General Director of an auto parts manufacturing joint venture in Vietnam and I:

Thuc Anh: Has your company learnt from the foreign parent?

Mr. Thanh: Yes, we have learnt a lot.

Thuc Anh: Do you think that you're able to do everything without the foreign parent's supports?

Mr. Thanh: Definitely not.

Thuc Anh: Why not?

Mr. Thanh: Because we are not capable to do so.

> Thuc Anh: Which specific areas do you think that you are incapable? Is it technology? Is it marketing? Is it customers' relationship? Or is it management?
>
> Mr. Thanh: Everything.

This conversation shows that while the auto part JV has learnt a great deal of knowledge from its foreign parent, it is still not able to stand on its own, and this situation is very popular in IJVs in Vietnam. When I told this story to FNS and BTC, they shared the same opinion:

> "Suppose that the foreign parent is very nice. They are willing to transfer everything they know to produce a particular product, say, Toyota Corolla. After 4 years, you've learnt to do it yourself. You can produce that model without any help from the foreign parent. However, by the time you're able to do it, the model becomes obsolete. Nobody wants to buy it anymore, they want to buy Camry or Avalon…, but you're not able to produce these new models. To me, learning should go beyond the knowledge related to a specific product. After Corolla, you should be able to produce Camry or Avalon, or any other new models that may be interested by the market. Up to now, I don't think any IJVs in Vietnam can do so.
>
> …Things at our JV are exactly the same as in the auto part manufacturer that you've talked about. The manufacturing section will die right after the JV contract stops because joint venture means relationship transfer, when the JV contract stops, no more relationship available…whom should we sell to?"
>
> *(Director of the Operation centre, FNS)*

> "Investment capital is not a big problem to the Vietnamese side. For Vietnamese parent company, that amount of money is well… a piece of cake. We need the foreign parent because we need their know-how, we need their brand name. Without this, we are not able to do it ourselves."
>
> *(Production Manager, Hanoi Branch, BTC)*

The situation is different at GFP. This JV seems not relying too much on the foreign parent.

> "Without the foreign partner, we can still do it, but with more difficulties. In fact, at our company, new product ideas come from the local side, not from the foreign side."
>
> *(Managing Director, GFP)*

Three reasons might account for this situation. First, as the Managing Director of GFP masters the architectural knowledge, he is able to stand on his own without much supports from the foreign partner. Second, GFP works like a small entrepreneurial enterprise in which almost everything is built up from scratch. The IJV does not heritage given things like brand name, relationships,

or well-defined structures and systems from the foreign parent, therefore its dependency on the foreign parent is less than that in companies like FNS and BTC. Third, at big companies, employees are just employees, they work and receive salaries, therefore, motivation of learning might be limited to their own professional development, and nobody actually strives for the company's sustainable development. Wonder if anyone thinks about the future of the business, after ending the JV contract. In contrast, at small companies like GFP, the Managing Director is very motivated to get as much as possible from his partner because it is his own company, his own assets.

6.3.4 Knowledge acquisition channels

Formal training, on-the-job training, and knowledge networks are channels through which the studied IJVs acquire knowledge from their foreign parents. Channels used in IJVs between MNCs and local SOEs are different from those used in IJVs between foreign and local SMEs.

FNS and BTC use similar channels to acquire knowledge from their parents. As their foreign parents have own universities, the IJVs' employees are sometimes sent there to attend formal courses. Depending on circumstances, trainers can also be invited to the JVs to conduct in-house training. Compared to BTC, the use of formal training seems more common and dynamic in the FNS case. Employees are sent to training courses more frequently. This is because FNS operates in an industry where the speed of technological change is extremely high, requiring much more frequent updates. The following quotes describe FNS's situation:

> "In our company, employees are sent to training courses whenever there is a demand from work. I can't tell how much we have our employees trained. It really depends on the demand. You may be noticed that things change very fast in our industry. Technology becomes obsolete in a very short period of time. Nobody used products that were invented 5 years ago. So we have to train and retrain our employees to keep up with such changes."
>
> *(Director of the Technical Centre, FNS)*

> "A clear, well-defined roadmap for training might be more appropriate for the Industrial centre. At my centre, there's no well-in-advanced plan for sending people to training courses. It all depends on work requirements."
>
> *(Director of the Operation centre, FNS)*

Here is the situation at BTC, where training plans are made on an annual basic:

> "At the end of each year, we conduct performance appraisal. An employee and his manager seat together to discuss the employee's strengths and weaknesses. If both of them agree that the weaknesses can be addressed by training, then the next step is to plan for a training course and assign a budget for it. In the following year, that person should identify an appropriate training course to take."
>
> *(Production Manager, Hanoi Branch, BTC)*

At the two companies, the foreign parents have global knowledge networks where employees can get access to new knowledge, seek advices, and share their ideas. All interviewees at FNS and BTC expressed that they themselves use the knowledge networks extensively.

It comes out from the discussion with four interviewees at these two IJVs that as the IJVs' employees have access to the foreign parents' knowledge, self learning becomes particularly important and that is what makes an individual employee better (or worse) than the others.

> "Wise people know how to make use of the knowledge network. If they read information published there, they can go for more advanced courses. Those who do not read would have to go for basic courses and it will take longer time for them to get to the same point."
>
> *(Director of the Technical Centre, FNS)*

> "My people are quite good at technology. I think anyone from the Vietnamese parent company can be as good as us. What we have as a 'competitive advantage' over them is access to the foreign parent's knowledge network. This network contains all kinds of materials, including research, technical, deployment documents, and documents for presenting to customers. However, I must say that not everyone in our company use it. Why I was promoted to this position? It is because I know how to make use of such 'competitive advantage".
>
> *(Director of the Operation centre, FNS)*

Staff at these two IJVs also has good chance to get training-on-the-job through daily interactions with expatriates working in the JVs. They can also participate in projects at headquarters or other units of the foreign parents (FNS), work with short-term experts who come to Vietnam for a particular mission (FNS and BTC), visit other units of the foreign parent (BTC), and work with parental auditors (BTC). One way of getting knowledge strengthens the other way and vice verse.

> "Formal training is very effective in my own case because I have had some work experience before that. Formal training helps me systematize my

> understandings about businesses. Some people in our companies also come for formal training but it seems that they cannot apply well. These are mainly young employees who have not had prior experience."
>
> *(Production Manager, Hanoi Branch, BTC)*

> "You can find some interesting information from a training course, but if you do not do it yourself, it would not become your way of working."
>
> *(Director of Hanoi Branch, HRM Manager, BTC)*

Knowledge acquisition from foreign parents is more informal at DID and GFP. In fact, formal training does not really exist at these IJVs. Neither do they have knowledge networks. As small companies, they use mostly on-the-job training, relying on the interactions with foreign parents' representatives on-site. At DID, the managing director conducted one day training at the very beginning of the JV operation and after that there have been only team meetings or interpersonal knowledge exchanges.

The situation in GFP is similar. The owner/ director of the foreign parent company brought a German technical expert to the JV who taught the local workers how to operate the production line. This expert came for 2 months. Then, the owner/ director himself is the source of technical knowledge for the local side. Likewise, his son made a two-hour presentation on marketing at the first time he came to Vietnam and then after that, he just acts as the consultant for the local employees.

> "My father brought a specialist from Germany over here to teach workers how to do things because it was a brand-new field for Vietnam. Nobody had done sausages before. It was a butcher; he showed different processing steps for making sausages. And of course, over time, my father got to know more and more about the field, and now, after four years, you can say that he is a specialist in the field. Vietnamese employees often turn to him for technical matters.
>
> …The way I share my knowledge with the local employees was informal. I did a lecture (for two hours), but that was the only one. Now, I am consulting them."
>
> *(Marketing Manager/ FP representative, GFP)*

The differences between, on the one hand, FNS and BTC, and on the other hand, DID and GFP can be attributed to the differences between parental companies. The foreign parents of FNS and BTC are big MNCs. To share knowledge at a global scale, they cannot rely solely on the tacit knowledge hold by expatriates. Instead, much of their knowledge must be and have been made explicit using knowledge networks and/ or internal universities.

Apparently, FNS and BTC can benefit from that. In addition, these MNCs have well-defined structures and systems and use standard operating procedures to govern. Such structures and systems were also imposed at the joint ventures in Vietnam. As said by the Director of the Technical centre of FNS: 'FNS is a replication of French Networks Corporation worldwide' and by the Director of Hanoi Branch of BTC: 'Things at our unit are almost the same as in any other units of British Threads Corporation'.

In contrast, DID and GFP's foreign parents and they themselves are small companies; works are more informal, as does the learning process. The foreign parents do not have available resources to support the IJVs as in the case of the other two IJVs. These companies rely mainly on expatriates as the 'knowledge agents'.

It is important to note that although the foreign parents support the IJVs in upgrading its knowledge, the costs of formal training are often paid by the joint venture themselves, not by the foreign parents. In the case of FNS, the foreign parent sometimes pays for the training costs, especially at the beginning of the JV operation, but most of the times, training costs are paid by the JV itself. The relationship between different units within the foreign parent corporation is supplier-customer relationship. Units such as FNS should pay French Networks Corporation University for the training services provided. In BTC case, every year the JV pays 1% gross profits to the headquarter under the form of 'management expense'. Part of that money is fed back to the JV as payment for senior manager training. Costs for middle manager training come out of the JV's own training budget. GFP also bears the costs related to the outside specialist's service rendered to the JV although this specialist was brought over by the foreign parent.

Table 6-3 shows different channels used by the each of the studied IJVs.

6.3.5 Factors affecting knowledge acquisition from the foreign parents

As theorized in chapter 3, an IJV's learning intent, its absorptive capacity, the foreign parents' willingness to share knowledge, and trust between the IJVs and its foreign parents are important factors affecting knowledge acquisition from the foreign parents.

Table 6-3: Knowledge acquisition channels

Knowledge acquisition channels	FNS	BTC	DID	GFP
Use of formal training	High	Medium-High	NA	Low
Use of knowledge networks	High	High	NA	NA
Use of on-the-job training	High	High	High	High
Availability of channels	High	High	Low	Low

6.3.5.1 Learning intent

It was shown in all four cases that learning, especially getting technology and technological knowledge from the foreign parent is one of the motivations for forming IJVs. The importance of this objective varies from a group of IJV to the other.

FNS and BTC had a very high propensity to learn from the beginning. The following quotes provide some examples:

> "We decided to do this joint venture because we want to learn from them in order to be able to do it ourselves later."
>
> *(Director of the Technical Centre, FNS)*

> "Talking about FDI, besides making money for the government, Vietnam needs to have capable human resources. In my own opinion, this can only be achieved in big IJVs like ours."
>
> *(Director of Hanoi Branch, HRM Manager, BTC)*

At these two joint ventures, main learning objectives were documented in a separate technology transfer contract.

Learning motivation was also expressed in the words of DID's Vietnamese parent's owner/managing director:

> "I belong to the young entrepreneurial business group where we share a common thought: I must say that Vietnamese people must think differently, must be changed because the world is union now. You're not in Vietnam; you're dealing with the world. If you want to be successful either in Vietnam or in other countries, you need to be at the business of the world…

> Knowledge, language are the tools, you must learn in order to be successful in the market."

However, her learning seems to be at the 'abstract level' because she does not participate to the daily activities of the joint venture, nor sending any staff there, leaves alone all tasks for the foreigners to do. Nevertheless, technology transfer is a part of this company's joint venture contract.

For GFP, learning from foreign parent was not the point of departure because the foreign parent did not have expertise in the industry. They wanted to do business together, to offer something needed by the market. Learning was secondary at the beginning but plays more important role as the JV evolves.

> "We were sitting together and thinking about what we can do. A business idea came up: making sausages…
>
> When put together a JV contract, we specify who should do what and apparently, the foreign partner is responsible for bringing technology to the joint venture."
>
> *(Managing Director, GFP)*

A related theme came out of the interviews was that at the individual level, motivation to learn was different from one to the other. A person's motivation to learn affects his/her knowledge acquisition.

> "A less capable or less intelligent person may have acquired more knowledge compared to a more intelligent person if he has a stronger motivation to learn. The more intelligent person may think that he is already intelligent, no need to learn more."
>
> *(Director of the Technical Centre, FNS)*

> "Some people learn very quickly, some people learn very slowly, it depends on their motivation to learn."
>
> *(Director of the Operation centre, FNS)*

In general, the learning intent level at FNS, BTC, DID, and GFP can be rated as high, high, medium, and medium respectively.

6.3.5.2 Absorptive capacity

As conceptualized in section 3.3.2.1, an IJV's absorptive capacity is represented by four factors: (1) prior related knowledge, (2) investment in training, (3) employees' ability to learn, and (4) joint participation. These factors are addressed in turn.

Prior related knowledge

The first factor representing absorptive capacity is prior related knowledge. It is described as the basic knowledge, skills, and problem solving methods as well as prior knowledge related to the knowledge held by the foreign parents. At FNS and BTC, where the focus of learning was technology and manufacturing processes, prior knowledge of engineering play a very important roles. As mentioned by the interviewees at these companies, as all of their technical staffs had engineering background, they could receive technological knowledge without difficulties. Management knowledge is more difficult for them to acquire because they did not have prior managerial knowledge.

> "When I became an employee of the JV, in the first few years I felt very stressful because my knowledge was not good enough. Technical matters were OK – I had no difficulty with that, but I did not know how to manage and how to organize works."
>
> *(Production Manager, Hanoi Branch, BTC)*

Lacking managerial knowledge seems popular everywhere in Vietnam. As a less developed economy in transition, Vietnam does not have sufficient basic knowledge about how a modern market economy functions. As stated by GFP's foreign parent representative:

> "There's a lot of lacking knowledge, just because, you know, too many new things coming and people cannot learn, or they don't learn so fast. It's very difficult to have a manager who haven't managed many people before. So, it will take at least 10 more years to have a generation that is able to do the things in the right way... I wouldn't say the IQ, it's not the IQ of Vietnamese people…it's just the basic knowledge about the modern market need to be raised a little bit."
>
> *(Marketing Manager/ FP representative, GFP)*

At DID, the situation is even worse because the employees in this company lack even basic technical knowledge:

> "With graphic design, Vietnam is 10 years behind. Vietnamese designers are very good at software but they lack creative process. The School of Industrial Design does not teach them the creative process. So, basic knowledge about design is lacking. Good software doesn't make a good design. They produce very messy things."
>
> *(Managing Director, DID)*

Investment in training

Training is the second factor that represents an IJV absorptive capacity. As discussed in previous section, training is paramount in FNS and BTC, less in GFP, and even less in DID. One of the interviewees explained the importance of training:

> "After taking several short training courses, especially after MBA, I felt much better. I can work much more effectively. No more stress."
>
> *(Production Manager, Hanoi Branch, BTC)*

Employees' ability to learn

The third factor representing an IJV's absorptive capacity is their employees' abilities to learn. The interview data shows that all investigated IJVs' employees have potentials to learn but their abilities are still not good enough to absorb all knowledge from their foreign parents. The following quotes illustrate this point:

> "Our capacity has not yet been good enough to absorb all knowledge from the foreign parent. Things require brain must be learnt gradually. Still, some people can reach the highest level in their profession."
>
> *(Director of the Technical Centre, FNS)*

> "I have to tell myself to keep calm and 'say it again, say it again, may be after 5 times they will start to realize this is right what he said'. It takes time; you have to say more than once, perhaps five times. Too many new things come and people cannot learn, or they can't learn so fast."
>
> *(Marketing Manager/ FP representative, GFP)*

> "It takes a long time to teach Vietnamese designers basic knowledge about design. For a job that needs qualified designer, I have to find a person in Denmark or somewhere else. I am not saying that they can't be trained but it will take a lo-o-ng time (*stressed by the interviewee*) before they can be able to produce a sophisticated pierce of design."
>
> *(Managing Director, DID)*

As the interviewer, my impression was that DID and GFP has more problems with their employees' ability to learn as compared to FNS and BTC. Three reasons might account for this. First, as FNS and BTC are more established, their employees have overcome difficulties in the first years of operations and reached to the level where they can easily absorb new knowledge. Second, it is possible that employees of DID and GFP have real lower abilities to learn

in comparison with that of FNS and BTC's employees because usually in Vietnam, big companies have more advantages in human resource recruitment. Good people tend to choose big companies to work for unless they have their own businesses. Given the same salary, big companies are preferred because they offer more rooms for career development in terms of promotion opportunities and professional advances. Third, there might be a bias due to the difference in the interviewees' backgrounds: interviewees at FNS and BTC are all Vietnamese and two of the interviewees (whose answers were quoted) are foreigners. Foreigners may have different assessments of the local employees' ability to learn.

The data also show that ability to learn defers from one employee to the other.

> "Some people can learn very quick, other people cannot. Within the software development team, for example, some people can manage a software project after a year, many other people cannot. There is even a case where a person cannot do so after 5 years at the company. Note that he was not bad when recruited."
>
> *(Director of the Technical Centre, FNS)*

This situation is quite normal in any organizations. It just shows that it may be hard to talk about employees' ability to learn in general. Future research should take into account this factor when designing measures for employees' ability to learn.

Joint participation

The fourth factor representing absorptive capacity is joint participation between local and foreign personnel within the IJVs. As theorized, the structuring of tasks in which local and foreign personnel equally participate in the JV activities might increase learning. The status of joint participation in the studied IJVs is as follows:

- At FNS, the number of expatriates from the foreign parent has decreased over time while this number has increased at BTC. However, both companies share the same thing: local employees participate in important decisions and works as much as the foreigners do.
- At GFP, the local partner actually runs the business and the foreign partner plays more of consulting role. Strategic direction is openly discussed between two partners.
- The situation at DID is different: the foreign parent's owner and the Vietnamese parent's owner meet twice a year to set up strategic directions

for the IJV. Daily management of the IJV is done by the managing director and his wife. Local employees do not participate in the managerial decision making process. Nevertheless, they are teamed up with the foreigners in implementing design projects to meet customers' requirements.

The interview data indicated that joint participation is an important factor for knowledge acquisition from the foreign parents:

> "One way of learning from them is through working with them. For software development, we can participate and collaborate with foreigners in many ways. If, for example, there is an order to develop particular software, we can go with the foreigners to the customer's site to take the requirements, then, collaborate with them in one or several steps of a software development project such as testing, coding, or even designing. After that, together with them, we can deliver the final product to the customer."
>
> *(Director of the Technical Centre, FNS)*

> "Vietnamese people have their own minds; sometimes they even have better ideas than mine. But that's normal because they've lived here for much longer than me. At the moment, I always tell them my point of view, and they say what they are thinking and then we find the middle way, you know. You always have to find the best solution from both sides. They learn and I learn too."
>
> *(Marketing Manager/ FP representative, GFP)*

Table 6-4 shows an evaluation of investigated IJVs' absorptive capacities along each dimension, based on the interview data.

Table 6-4: An assessment of the studied IJVs' absorptive capacities

Dimensions	**FNS**	**BTC**	**DID**	**GFP**
Level of prior related knowledge	Medium	Medium	Low	Low
Level of Investment in training	High	High	Low	Low-Medium
Level of employees' ability to learn	Medium-High	Medium-High	Low	Low
Level of joint participation	High	High	Low-Medium	High
Overall absorptive capacity	**Medium-High**	**Medium-High**	**Low**	**Medium**

Overall, absorptive capacity of FNS, BTC, DID, and GFP could be evaluated as medium-high, medium-high, low, and medium respectively.

6.3.5.3 Foreign parents' willingness to share knowledge

As noted in section 3.3.3, effective knowledge acquisition requires willingness to share knowledge from the 'teacher firm'.

It was not very easy for the interviewees to answer the question on whether their foreign counterparts were willing to share knowledge with them:

- Two interviewees at FNS made general comments that 'nobody would want to share all knowledge unless they have good reasons to do so'. However, after several probing questions regarding their specific case, they concluded that they found no indications that their counterparts were not willing to transfer knowledge.
- At BTC, there was one time the operation manager said that his counterpart was a bit reluctant to share technological expertise but in general he thought that the foreign parent always wanted to help the IJV master new knowledge. The foreign parent's willingness to share knowledge is also confirmed by the Hanoi branch manager.
- At DID, the managing director seemed a little bit impatient when talking about teaching local employees to learn. He said he was not reluctant to show local staff how to do things but he had a low expectation about them.
- In contrast, the foreign side in GFP was very enthusiastic about sharing knowledge with the local partner.

Thus, foreign parents' willingness to share can be rated as medium for DID and high for all other IJVs.

It is important to note that foreign parents' willingness does not mean that they would tell the local partners all everything they know. Rather, they would give the answers only if the local personnel know how to ask appropriate questions. The following quotes illustrate this point:

> "Having IJVs, having technology transfer contracts, or license does not mean that they would automatically transfer their knowledge to you. They key thing is that you must know how to utilize and get the most out of it."
>
> *(Director of the Operation centre, FNS)*

> "If we want to know something, we could make a request, and if that request is reasonable, they would give us all the information we need."
>
> *(Director of the Technical Centre, FNS)*

6.3.5.4 Trust

Trust was indicated as a very important factor in the studied IJVs, especially in DID and GFP.

> "The key thing that I see is the trust that we have in each other. Trust is the foundation. I think when you married, trust is the key. The same when you do business. If you trust each other and are able to build the trust, then everything else would be easy, everything else can be discussed."
>
> *(Vice President, DID)*

> "The most important thing when working with the partner is to build trust. Only in that case, the business can develop. Otherwise, your brain, your energy will have to be spent on no-money-creating activities and to some point you'll feel tired and finally you'll have to break up."
>
> *(Managing Director, GFP)*

> "You know, when you come from a foreign country, you need a person whom you can trust. That's the most important task. You need a person that you can say to yourself: 'Yes, I want to invest some money there and I need a person whom I know that he will not make something else with the money' because it's... you know corruption is still a big topic in Vietnam and you need someone you can trust, that's the first rule when you come to Vietnam."
>
> *(Marketing Manager/ FP representative, GFP)*

Different types of trust appeared throughout the interviews:

- At FNC, the local staffs generally have a favorable attitude toward the foreign partner, mostly based on their understanding and feeling toward the foreign personnel (knowledge- and identification-based trust).

  > "In terms of technological knowledge, I don't think all of them are better than my people. However, in works, they are more planned, more rational, and fairer. I like working with them because I can raise my voice. If we want to learn just one thing from them, we should learn their working culture."
  >
  > *(Director of the Operation Centre, FNS)*

- At BTC, the trust-related discussion was centered on the calculation-based type:

> "British Threads (the foreign parent) is very wise. They know that they can get benefits from this emerging market."
>
> *(Production Manager, Hanoi Branch, BTC)*

> "Unlike many other big MNCs in Vietnam, which eliminate the local partners once they've already established a foothold in the market, our foreign partner wants to build a long term relationship with us. Note that our JV contract lasts for 50 years. They found it worthwhile to work with us. They also want to utilize the local expertise."
>
> *(Director of Hanoi Branch, HRM Manager, BTC)*

and knowledge-based trust:

> "They're very experienced in international market, they know how to negotiate, how to work with people…The expatriates are really good. Their knowledge is at the teacher level."
>
> *(Production Manager, Hanoi Branch, BTC)*

- Similar to FNS, at DID, knowledge- and identification-based trusts were addressed, in which identification-based trust appear as very important:

> "Minh is very international, very straightforward, even more straightforward in the way she says things than I am. She is closed to the Danes. We don't have silence. If there's a problem, we get together to solve it."
>
> *(Managing Director, DID)*

- At GFP, the foreign parent representative seemed to have a very special emotional feeling when talking about this issue:

> "My father and Mr. Moi met the first time in 1997 and right from the start, they had a very good feeling for each other ... My father can read people very well. He knows whom you can trust, and whom you cannot. He used to work here, in the German Embassy, 30 years ago. He understood Vietnam, he knows all about the good things and the bad things. And from that point, he knew 'Yes, I can do business with him, or I cannot...' This partnership between Mr. Moi and my father works very well together. And my father is very fortunate and lucky to find someone like Mr. Moi because you don't find someone like him very often."
>
> *(Marketing Manager/ FP representative, GFP)*

This passion was confirmed by the managing director (local parent representative). He repeatedly said that GFP was not a joint venture between a German company and a Vietnamese company but a joint venture between two friends. Thus, it can be seen that identification-based

trust plays a vital role in this company. In addition, the managing director added that there must be a mechanism to build and maintain trust:

> "Trust requires some prerequisites and a scientific approach. Saying 'I trust you' does not mean you have it. For example, you must build an information channel through which both sides can communicate directly, the foreign partner can receive regular business reports from Vietnam and vice verse, and I can receive information related to our business from their side. Everything must be transparent."
>
> *(Managing Director, GFP)*

This saying also shows that trust must base on the knowledge and understanding of each other and each other's works related to the business (knowledge-based trust). In another part of the interview, he also pointed out that both sides need each other for building their own business. It means that the calculation-based type of trust is also evident:

> "One of the most important things in a JV is that partners' objectives must be matched. As persons, as companies, it is very likely that each side has its own objectives…but the overlap should be large…Otherwise, I think that if a foreigner has enough resources, he/she should open a 100% foreign invested enterprise."
>
> *(Managing Director, GFP)*

Table 6-5 shows an assessment of trust levels in each IJV.

Table 6-5: Trust levels in studied IJVs

Trust	**FNS**	**BTC**	**DID**	**GFP**
Knowledge-based trust	Medium-High	High	High	High
Calculation-based trust	Not mentioned	High	Not mentioned	High
Identification-based trust	Medium-High	Not mentioned	High	High
Overall Trust	**Medium-High**	**High**	**High**	**High**
Importance of Trust to business	**Medium-High**	**Medium-High**	**High**	**High**

Knowledge-based trust is the most frequently mentioned type of trust while calculation-based is the least frequently mentioned. It appears that trust in general and identification-based trust in particular play more important role at DID and GFP. Probably, big companies rely more on a governance structure that uses standard systems and procedures to manage while small companies must rely on the interpersonal trust. Trust was seen as an important factor in doing business with each other. However, the relationship between trust and learning was not clear in the cases. There may be a direct link from trust to performance instead of trust to knowledge acquisition.

6.3.6 A summary of multiple-case findings

Table 6-6 summarizes the status of knowledge acquisition from foreign parents in four studied IJVs, its antecedents, and IJV performance.

Table 6-6: A summary of multiple-case study findings

	FNS	**BTC**	**DID**	**GFP**
Availability of uses of knowledge acquisition channels	High	High	Low	Low
Learning intent	High	High	Medium	Medium
Overall absorptive capacity	Medium-High	Medium-High	Low	Medium
Foreign parent's willingness to share	High	High	Medium	High
Overall Trust	Medium-High	High	High	High
Overall knowledge Acquisition	Medium-High	Medium-High	Low-Medium	Medium
Performance	High	High	Medium-high	High

Overall, FNS and BTC have learnt most from their foreign parents, followed by GFP. It appears that DID has learnt least. There is a parallel existence of a

higher level of knowledge acquired from foreign parents, a higher level of absorptive capacity, a higher level of learning intent, and more extensive use of different knowledge acquisition channels in the case of FNS and BTC as compared to those in the case of DID and GFP:

- The facts that GFP and DID have lower level of absorptive capacity could be explained that as small businesses, they are less able to attract qualified and skilled labor.
- GFP's and DID's lower level of learning intent could be due to the nature of their small businesses, where getting profits is the most important, if not say the only important motive that makes them to enter into a joint venture contract. Learning may just come afterward. It is possible, however, that profit driven thinking is a result of the interviewees' bias. Although interviewees in FNS and BTC are responsible for their companies' performance, the IJVs' money are still not their own money as in the case of the other two IJVs, therefore, their thoughts might be less driven by profits target and more in favor of learning and professional development.
- FNS's and BTC's more extensive uses of different knowledge acquisition channels are subject to channel availability and richness owing to the nature of the foreign parents.
- DID's lowest level of knowledge acquisition is also a result of a lower level of willingness to share knowledge of its foreign personnel.
- Low level of knowledge acquired from the foreign parents could also be due to limited knowledge resources (wide and depth of knowledge) provided by their foreign parents as in the case of GFP or newness of the IJV as in the case of DID. Given the shortest existing time of DID, it is not quite surprising that this IJV has acquired least knowledge from its foreign parent. This result supports Cohen and Levinthal's (1990)'s view in that learning is cumulative over time.
- Trust is an important factor for businesses but its relationship with knowledge acquisition is unclear in these cases.
- Although it is not absolutely apparent, there is also a difference in the pattern of learning between FNS and DID on the one hand and BTC and GFP on the other hand. Learning appears as more dynamic and more ad-hoc in the case of FNS and DID. As these IJVs are in more knowledge-intensive industries, where things change so quickly and the knowledge to be learnt is more sophisticated and complex in nature, it is more difficult for them to plan ahead all kinds of learning.

The relationship between knowledge acquisition from foreign parents and IJV performance is not entirely consistent with theoretical establishment (which states that high knowledge acquisition leads to high performance) but it inclines to do so:

- At FNS and BTC, a high level of knowledge acquisition is coupled with a high level of performance.
- In the case of GFP, knowledge acquisition from foreign parent is medium but the company performance is quite high. There might be many reasons for it besides learning. If consider learning alone, then foreign parents should only be considered as one source of knowledge. As said by the managing director, 'the Vietnamese side is very active in seeking knowledge from different resources, other than those from the foreign partner'.
- At DID, the process of knowledge acquisition was not as intensive as in other cases. However, the company is doing quite well. This fact could be explained by the company's position in its industry. DID is targeting at high-end market, providing high quality products at a quite high price. Currently, the company is enjoying a 'monopoly' position in the market segment that it serves. Because of that, it is able to attract a quite impressive number of customers in a short time and hence is able to pay employees recruited from other countries rather than relying on a pure local team. Probably, the company's medium knowledge transfer strategy is more suitable at present: having employees who can immediately produce high quality products (foreign nationals) in order to cultivate the fertile market is wiser than spending time and efforts on educating local employees although the first option is a little bit more expensive. As stressed by the managing director, it would take a long time to train local employees up to the level required.

In general, with few exceptions, the multiple-case study's results are consistent with theoretical propositions. The results are congruent with that of the empirical survey.

6.4 Multiple-case study limitations

This multiple-case study has three limitations

- To capture the complexity of knowledge acquisition process, it would have been better if more interviews could be conducted within each joint venture that include interviews with representatives from foreign and local partners, from different levels in the organizational hierarchy, and from different departments. Having more interviews would strengthen the validity of the data and would allow the researcher to get more insights from different perspectives. Despite my efforts, it was not possible to do so. People interviewed suggested that I should not interview more people in their ventures because all of their colleagues were so busy and because they

were confident that the information provided by them were enough for me to understand the whole ventures. This is true in many aspects as all interviewees were information-rich people concerning the studied phenomenon.

- Company documents were either limited or unavailable to outsiders. Access to financial statements was restricted; therefore, company performance can only be evaluated through the interviewees' perception and public information.
- The dynamics of knowledge acquisition process from the foreign parents should ideally be investigated longitudinally with the investigator was permitted to participate in some of the IJV's learning activities. This was not possible due to time, budget, and access constraints.

7. Results and implications

Chapter 5 and chapter 6 present the empirical survey and multiple-case studies. This chapter summarizes the two studies' results and compares them with the current literature, based on which, a number of implications for research, for managers and for policy makers is drawn. The chapter ends with final remarks.

7.1 Results and comparison with the literature

This research is based on a conceptual model linking IJV knowledge acquisition from foreign parents, knowledge acquisition antecedents, and performance. The model was tested in Vietnam by mean of a survey and further explored through a multiple-case study. The results of both studies indicated that all four proposed knowledge acquisition antecedents (learning intent, absorptive capacity, foreign parent's willingness to share knowledge, and trust) were important for JJV knowledge acquisition from foreign parents. There were some mix findings regarding the relationships between individual components of absorptive capacity and knowledge acquisition as well as between individual components of trust and knowledge acquisition. Specifically, the following factors were found (in the survey) to contribute unique variance in knowledge acquisition:

- the IJV learning intent
- relatedness between the IJV and its foreign parent business
- the IJV's investment in training
- the IJV's employees' ability to learn
- the foreign parent's willingness to share knowledge with the IJV.

Trust between the parents was found important for the IJV knowledge acquisition but its role was alleviated when absorptive capacity, learning intent, and foreign parent's willingness to share were present. Together, all four proposed antecedents explained 63.4% of the variance in knowledge acquisition. Knowledge acquisition was found significantly associated with IJV performance but failed to mediate the relationship between its antecedents and performance. In general, the multiple-case study results were consistent with the results of the empirical survey.

7.1.1 Determinants of knowledge acquisition

7.1.1.1 Learning intent

Both the empirical survey and the case study pointed out that IJV knowledge acquisition from its foreign parent was dependent on the IJV's learning intent. This finding is consistent with theoretical establishment and with empirical research conducted in the context of inter-partner learning in developed countries by Hamel (1991), Nonaka and Takeuchi (1995), Almeida (1996), and Simonin (2004). Thus, the role of learning intent could be seen in different learning contexts and the relationship between learning intent and knowledge acquisition is held true for not only developed but also developing and transitional economies.

7.1.1.2 Absorptive capacity

In line with existing research (Hamel, 1991; Lyles and Salk, 1996; Lane and Lubatkin, 1998; Lyles and Barden, 2000; Lane et al., 2001; Minbaeva et al., 2003; Simonin, 2004; Thuc Anh et al., 2006), this study reaffirms the important role of absorptive capacity in the inter-organizational learning context. The survey showed that absorptive capacity explained 55.8% of the total variance in IJV knowledge acquisition from its foreign parent.

Prior related knowledge/ Relatedness

The empirical survey found that relatedness between an IJV and its foreign parent business (a proxy measure for the IJV's prior related knowledge) had a very strong positive significant relationship with knowledge acquisition across all models. This result supports the empirical findings by Lane et al. (2001) and Thuc Anh et al. (2006). The multiple-case studies, however, explored a different part of prior related knowledge: the basic knowledge held by the IJV's employees. This basic knowledge, especially knowledge about how a modern market functions and managerial knowledge were shown as generally lacking for IJV employees in Vietnam. As such, it was difficult for these employees to quickly absorb new knowledge brought by the foreign parents. Both studies' results support the theoretical argument by Cohen and Levinthal (1990) that absorptive capacity is history or path-dependent, depending upon the prior knowledge held by the learner.

Investment in training

Consistent with the theoretical establishments of absorptive capacity by Cohen and Levinthal (1990) and Zahra and George (2002), and with previous empirical studies (Lane et al., 2001; Thuc Anh et al., 2006), it was found in the empirical survey that intensity of efforts (which was measured by investment in training) was a critical factor in acquiring knowledge. The result is also in line with results of the multiple-case study where investment in training was found as an important factor influencing the level of knowledge acquired, especially in the case of lacking basic knowledge. The multiple-case study also found that a method of learning strengthened and developed the learning results in general. For example, formal training strengthened the hand-on experience gained from on-the-job training. The inverse effect also exists: practical experience helps learners with a much better understanding when they come to the formal training. Thus, training should be considered in the context of other learning methods.

Ability to learn

Ability to learn was found to be one of the most important factors predicting knowledge acquisition from foreign parents in both studies. This finding is consistent with empirical findings by Thuc Anh et al. (2006). It also supports Cohen and Levinthal's (1990) tenet: an organization's absorptive capacity depends on the absorptive capacities of its members.

Joint participation

It was found in the empirical survey that although joint participation was significantly associated with knowledge acquisition in the correlation analysis, it was not associated with knowledge acquisition in the multiple regression analyses (model 3 and model 6). This suggests that while joint participation in itself is important for learning, its role may be mitigated by relatedness, investment in training, and ability to learn. This means that if (1) the IJV's business is related to that of the foreign parent, (2) the IJV commits itself in training employees, and (3) the IJV's employees have good ability to learn, then joint participation is not critical in determining the level of knowledge acquired. This result does not support the findings of multiple-case study as well as the findings by Thuc Anh et al. (2006). One of the reasons might be that there is a difference in the samples used in each study. Thuc Anh et al.'s study (2006) examined not only manufacturing but also

service IJVs meanwhile this empirical study surveyed only manufacturing IJVs. To check whether this doubt was true, I came back to the original data set used in Thuc Anh et al.'s study (2006) to find out if there was any difference regarding the role of joint participation in predicting knowledge acquisition between manufacturing IJVs group and service IJVs group. It was found that joint participation explained 31% of the variance in knowledge acquisition in service group while it explained only 18% of the variance in knowledge acquisition in the manufacturing group. Thus, joint participation is more important for service joint ventures than for manufacturing ones.

7.1.1.3 Foreign parent's willingness to share knowledge

The empirical survey results showed a very strong link between the foreign parent's willingness to share knowledge and the level of knowledge acquired by the IJV. This is consistent with the finding by Simonin (2004) that a partner's protectiveness is negatively associated with the other partner's learning. If foreign parent's willingness to share knowledge is an indication of the assistance from the foreign parent, then the results of the studies are also in line with what was found in previous research on IJV learning from foreign parents (Lyles and Salk, 1996; Lyles and Barden, 2000; Steensma and Lyles, 2000; Lane et al., 2001).

Interviews with managers in multiple-case study, however, showed that it was not always easy to detect if the foreign personnel were willing to share what they know. Three out of six Vietnamese interviewees could not give an immediate answer to this question although in the end they did conclude that in general the foreign personnel were willing to share knowledge. They also pointed out that this is possible only if the IJV local employees know how to ask appropriate questions. In the case of DID, the managing director (foreign national) did not protect his knowledge but it seemed that neither did he want to invest much time in teaching the local employees. Future research could consider this fact in exploring the variable in-depth.

7.1.1.4 Trust

The empirical survey found that all three types of trust had significant relationships with IJV knowledge acquisition from foreign parent in the model that uses only trust and control variables as predictors (model 5), but lost their significances in the full predictor model (model 6). This means that as long as the IJV has a high level of learning intent, a good absorptive

capacity together with the foreign parent's willingness to share knowledge, trust between parents is no longer important for knowledge acquisition. The result is a half way between theory and empirical evidence. While theories establish that trust should have an influence on learning (e.g. Lane et al., 2001; Inkpen and Currall, 2004), previous empirical research failed to provide evidence (e.g. Lyles and Barden, 2000; Lane et al., 2001). This relationship should be further tested in future research.

An important point to note is that while knowledge-based trust and identification-based trust were positively associated with knowledge acquisition as expected, calculation-based trust was negatively associated with knowledge acquisition. It means that the higher the level of calculation-based trust is, the lower is the level of knowledge acquired. However, this variable had a little bit low reliability (cronbach alpha = 0.623) and was least frequently mentioned in the multiple-case study, so, caution should be taken in interpreting the result.

7.1.2 Impact of knowledge acquisition on performance

Knowledge acquisition was found to have a very strong positive significant relationship with joint venture performance in the empirical survey. The finding is consistent with the knowledge-base theory (Kogut, 1988; Kogut and Zander, 1992, 1993; Nonaka, 1994; Blackler, 1995; Grant and Baden-Fuller, 1995; Nonaka and Takeuchi, 1995; Kogut and Zander, 1996; Nonaka et al., 1996; Spender, 1996; Grant, 1996a, 1996b, 1997; Orlikowski, 2002; Nonaka and Toyama, 2003) and empirical results by Lyles and Salk (1996), Lyles and Barden (2000), Lane et al. (2001), and Thuc Anh et al. (2006). The fact that knowledge acquisition itself accounted for 16% of the total variance in performance suggests that knowledge acquisition from the foreign partner should be considered as only one of the factors contributing to the IJVs' performance. Future research could examine other types of knowledge (those different from the foreign parent's knowledge), other types of resources as well as the IJV's strategy, structure, and systems as potential contributors to performance.

The multiple-case study results were generally consistent with the results of empirical survey with the exception of DID case. This company was relatively successful while knowledge acquisition was not as effective as in other cases. However, the company's success with a medium knowledge transfer strategy should be considered as an exception rather than the rule. Not many companies can enjoy a 'monopoly' position over a long time unless

it is extremely strong. Since the start-up costs for DID's type of company is not very high, there may be a lot more companies like DID in the future. If so, the competition may move toward the price in addition to quality. In that case, costs will be an issue and whether DID is still able to afford paying foreign employees is questionable.

7.1.3 Result of mediation analysis

It was found in the empirical survey that IJV knowledge acquisition failed to mediate the relationship between knowledge acquisition antecedents and IJV performance. Specifically, investment in training and knowledge-based trust have a direct positive significant relationship with IJV performance above and beyond the extent to which these variables contribute to the level of knowledge acquired from the foreign parent. It is suspected that this finding is resulted from the bias inherited in the respondents' background and positions hold in the joint ventures. As indicated in chapter 5, two-thirds of the respondents are general directors or deputy general directors. As such, they know more about general knowledge. Meanwhile, the survey asked them to rate the IJV knowledge acquisition along specific functional knowledge dimensions. Thus, their answers might contain a certain degree of bias. To check whether this was the case, I performed a MANCOVA analysis to find out if there were any differences regarding the answers of general/ deputy general directors vs. that of department heads. It was found that there were no significant differences in the answers of the two groups regarding any of the variables under study. Thus, this explanation is not valid. In fact, investment in training and knowledge-based trust does have direct impacts on performance. Although the finding is inconsistent with the common theoretical belief, it is similar to the results of other empirical research conducted in transitional economies (Lyles and Barden, 2000; Lane et al., 2001; Tsai, 2001; Thuc Anh et al., 2006).

Regarding the relationship between investment in training and performance, Tsai's research (2001) found that absorptive capacity has a direct impact on business-unit performance. As noted by Cohen and Levinthal (1990), organizations with higher levels of absorptive capacity will tend to be more proactive, exploiting opportunities present in the environment. Thus, since investment in training is a part of absorptive capacity, IJVs with higher level of investment in training may become more adaptable to environmental demands. Such capacity can directly enhance performance, beyond the extent to which it contributes to acquiring knowledge from the foreign parent. Indeed, Lane et al. (2001) found that the IJV's development of its own

training competence mattered most for the long-term success of IJVs in transitional economies.

Knowledge-based trust was found to have a direct impact on IJV performance beyond the level of knowledge acquired. This finding is also found in the multiple-case study. While all three types of trust were mentioned by managers in the interviews, the relationship between trust and knowledge acquisition was not clearly revealed. Instead, trust was found important for business in general. The findings are also consistent with Lyles and Barden's (2000) and Lane et al.'s (2001) works in that trust between the parents and between the foreign parent and the IJV was found to be associated directly with performance. Thus, although the trust measures differ from this empirical study to that of Lyles and Barden (2000) and Lane et al. (2001), the conclusion is nearly the same. Trust is important for knowledge acquisition but not as important as for performance. Note that this research and those of Lyles and Barden (2000) and Lane et al. (2001) are conducted in transitional economies. The same research conducted in other contexts may yield different results. Thus, it would be interesting if future research could re-examine these relationships in different contexts and at different times.

7.1.4 Other results

In terms of the content of knowledge acquired, it was found in the multiple-case study that while the investigated IJVs acquired a relatively high level of know-what and know-how as well as component knowledge, they did not feel that they had mastered the needed amount of know-why and architectural knowledge. This result has a very important implication for practice since know-why and architectural knowledge is the type of knowledge needed for sustainable development of the IJVs. As noted by Quinn et al. (1996), know-what is essential, but usually far from sufficient for commercial success and only when know-why is present, people can create extraordinary value. Similarly, Matusik & Hill (1998) noted that while both component and architectural types of knowledge can be a source of competitive advantage, over the long run it is architectural knowledge that contributes most to an organization's competitive position. Vietnamese IJVs should have a very serious evaluation of their own learning. As pointed out by Hamel (1991), whether learning becomes self-sustaining is dependent on the depth of learning that has taken place, whether the firm possesses the scale and volume to allow amortization of the investment needed to break free of dependence on the partner, and whether the firm possesses the disciplines of continuous improvement.

It was found in the survey that there was *no* difference in the level of knowledge acquisition between the high-tech IJV group and the low-tech IJV group meanwhile non-state-owned IJVs reported a significant higher level of knowledge acquired than did the state-owned IJVs. The multiple-case study, however, showed different results. While it was not clear whether the differences in the level of knowledge acquisition in the studied IJVs was due to the level of technology intensity or the type of local parents, it was shown clearly that the process of transferring/ acquiring knowledge differed from IJV to IJV. IJVs in high tech industries had a more ad-hoc pattern of knowledge acquisition (i.e. acquisition when demand occurred) in comparison with those in the low-tech industries. Compared to IJVs whose parents were private-owned companies, IJVs with MNC foreign parents and state-owned local parents acquired knowledge more methodologically through a wider variety of channels.

7.1.5 Summary and synthesis

Table 7-1 summarizes the studies' results and comparisons with the literature.

The results of this research together with the literature stimulate an improved conceptual model as illustrated in **Figure 7-1**. In this new model, knowledge acquisition is still determined by learning intent, absorptive capacity, foreign parent's willingness to share knowledge, and trust between parents. However, performance is not only determined by the IJV's level of knowledge acquired from the foreign parent, but also directly influenced by the IJV's absorptive capacity and trust between parents.

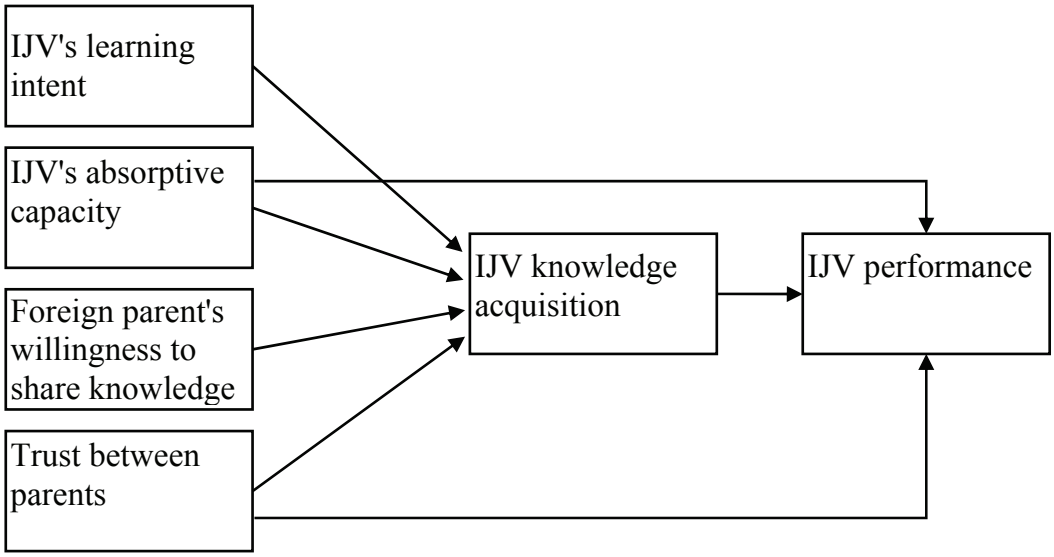


Figure 7-1: An improved conceptual model

Table 7-1: A comparison of empirical survey results, case-study results, and the literature

Hypotheses/ Propositions		Empirical survey results	Case-study results	Compare to the literature
H1	An IJV's learning intent is positively associated with its level of knowledge acquisition from the foreign parent.	Learning intent has a strong positive significant relationship with knowledge acquisition across all models.	A higher level of IJV learning intent occurs at the same time with a higher level of knowledge acquired. At individual level of analysis, learning motivation is different from one employee to the other.	Consistent with Hamel (1991) Nonaka and Takeuchi (1995), Almeida (1996), and Simonin (2004).
H2a	Relatedness between an IJV and its foreign parent business is positively associated with the IJV's level of knowledge acquisition from the foreign parent.	Relatedness (as a proxy measure for prior related knowledge) has a very strong positive significant relationship with knowledge acquisition across all models.	Basic knowledge (a part of prior related knowledge) appears as an important factor determining knowledge acquisition.	Consistent with Cohen and Levinthal (1990), Lane et al. (2001), and Thuc Anh et al. (2006).
H2b	An IJV's investment in training is positively associated with its level of knowledge acquisition from the foreign parent.	Investment in training (as a proxy measure for intensity of efforts) has a positive significant relationship with knowledge acquisition across all models.	Training is an important factor influencing the level of knowledge acquired, esp. in case of lacking basic knowledge. Different learning methods complement well to each other.	Consistent with Cohen and Levinthal (1990), Zahra and George (2002), Lane et al. (2001), and Thuc Anh et al. (2006).
H2c	An IJV's employees' ability to learn is positively associated with the IJV's level of knowledge acquisition from its foreign parent.	Employees' ability to learn has a very strong positive significant relationship with knowledge acquisition across all models.	Ability to learn is so important for knowledge acquisition yet it is hard for most local employees to reach the level of learning needed.	Consistent with Thuc Anh et al. (2006).
H2d	Joint participation of local personnel with expatriates in shared activities of an IJV is positively associated with the IJV's level of knowledge acquisition from its foreign parent.	Joint participation has a positive significant bi-variate relationship with knowledge acquisition but lost its significance in the model using four absorptive capacity factors as predictors as well as in the full-predictors model.	Joint participation is important for knowledge acquisition.	The multiple-case study's result is consistent and the empirical study's result is not consistent with Thuc Anh et al. (2006).

Table 7-1: A comparison of empirical survey results, case-study results, and the literature (con't)

Hypotheses/ Propositions		Empirical survey results	Case-study results	Compare to the literature
H3	The foreign parent's willingness to share knowledge with the IJV is positively associated with the IJV's level of knowledge acquisition from its foreign parent.	The foreign parent's willingness to share knowledge has a very strong positive significant relationship with knowledge acquisition across all models.	Foreign parent's protectiveness, if any, is not always easy to detect. The foreign personnel's willingness to share knowledge is meaningful only if the local personnel know how to ask appropriate questions.	In line with Lyles & Salk (1996), Lyles & Barden (2000), Steensma & Lyles (2000), Lane et al. (2001), and Simonin (2004).
H4a	Calculation-based trust between two parents is positively associated with the IJV's level of knowledge acquisition from its foreign parent.	Calculation-based trust between two parents has a weak negative significant relationship with knowledge acquisition in the model using only trust and control variables as predictors but lost its significance in the full-predictors model.	Elements of calculation-based trust, knowledge-based trust, and identification-based trust were found in four IJV cases in which knowledge-based trust was most frequently and calculation-based trust was least frequently mentioned. Trust is seen as essential to business in general but its relationship with knowledge acquisition is unclear.	The results are not directly comparable to previous empirical literature since this is the first time trust is measured along the calculation-, knowledge-, and identification-based dimensions in the context of IJVs. Nevertheless, Lyles and Barden (2000) and Lane et al. (2001) found that trust is directly related to performance but not learning.
H4b	Knowledge-based trust between two parents is positively associated with the IJV's level of knowledge acquisition from its foreign parent.	Knowledge-based trust between two parents has a very strong positive significant relationship with knowledge acquisition in the model using only trust and control variables as predictors but lost its significant in the full-predictors model.		
H4c	Identification-based trust between two parents is positively associated with the IJV's level of knowledge acquisition from its foreign parent.	Identification-based trust between two parents has a strong positive significant relationship with knowledge acquisition in the model using only trust and control variables as predictors but lost its significant in the full-predictors model.		

Table 7-1: A comparison of empirical survey results, case-study results, and the literature (con't)

Hypotheses/ Propositions		Empirical survey results	Case-study results	Compare to the literature
H5	An IJV's level of knowledge acquisition from its foreign parent is positively associated with the IJV's performance.	An IJV's level of knowledge acquisition has a very strong positive significant relationship with its performance, explaining 16% of the variance in performance.	- A higher level of knowledge acquired occurs at the same time with a higher level of performance. - Acquisition of specific knowledge may not be as important as acquisition of 'method of working'.	Consistent with the knowledge-base theory as well as empirical results by Lyles and Salk (1996), Lyles and Barden (2000), Lane et al. (2001), and Thuc Anh et al. (2006).
H6	An IJV's level of knowledge acquisition from the foreign parent mediates the relationship between knowledge acquisition antecedents and the IJV's performance.	Knowledge acquisition does *not* mediate the effects of investment in training and knowledge-based trust on IJV performance.	Trust is recognized as important for business in general.	The survey results are inconsistent with the common theoretical belief but consistent with empirical findings (Lane et al., 2001; Thuc Anh et al., 2006).
P2	The contents and characteristics of IJV knowledge acquisition from foreign parents are different for different types of IJV	There is *no* difference in the level of knowledge acquisition between the high-tech IJV group and the low-tech IJV group. Non-state-owned IJVs reported a significant higher level of knowledge acquired than do the state-owned IJVs.	The contents of knowledge acquisition differ from IJV to IJV, as does the process of transferring / acquiring knowledge. IJVs in high tech industries have a more ad-hoc pattern of knowledge acquisition (i.e. acquisition as needed) in comparison with those in the low-tech industries. Compared to IJVs whose parents are private-owned companies, IJVs with MNC foreign parents and state-owned local parents acquire knowledge more methodologically through different channels.	NA

It certainly makes a lot of sense to base on this new conceptual model in future empirical research projects in the area of knowledge acquisition and performance of IJVs.

7.2 Implications

7.2.1 Implications for research

The design, implementation, and findings of this research have the following implications for future studies:

- This research proposes an *integrative* model of knowledge acquisition antecedents that take into account the most advanced development found for each construct. The comprehensiveness of the model is verified through results of an empirical survey and a multiple-case study. Future research should accommodate this comprehensiveness whenever possible. Only in that case, a complete picture of knowledge acquisition could be seen.
- Factors that found important to determine knowledge acquisition include IJV learning intent, prior related knowledge, investment in training, ability to learn, and foreign parent's willingness to share knowledge. They should never be missed in future research. Care should be taken of in the design and assessment of each factor. For example, prior related knowledge should include not only the relatedness between an IJV and its foreign parent business but also the basic knowledge held by the employees. Since the foreign parent's willingness to share knowledge is not easily to be detected, it may be more helpful to measure this variable by multiple items.
- As indicated in the case study, acquired knowledge can be seen from not only a functional perspective but also other perspectives. While looking at knowledge from functional perspective cannot separate between important and less-so knowledge, the classification of knowledge into know-what, -how, and –why, as well as component vs. architectural knowledge certainly provides a new and better way of looking. It allows for an assessment of how much real 'valuable' knowledge has been acquired, and hence, the depth of learning that has been taken place. It would be both important and interesting if future research could design measures for knowledge acquisition that incorporate multiple ways of knowledge classification.
- The IJV performance has long been recognized as a difficult construct to measure (Geringer and Hebert, 1991; Arino, 2003). This research measures IJV performance by the managers' perception of how much their IJV have fulfilled the set targets. This is one way of measurement. Future research could provide a more comprehensive view on IJV performance by incorporating different ways to measure this complex variable.

- Two out of four antecedents, absorptive capacity and trust, are conceptualized as *multi-dimensional* constructs. Results of both studies support this multi-dimensionality conceptualization. While some previous empirical researches have included absorptive capacity and/or trust in their theoretical models, none of these researches includes both of them at the same time with their multi-dimensionality. This research represents the first attempt to do so. A replication in a different context could provide an interesting comparison.
- Theories have established that knowledge acquisition, learning intent, absorptive capacity, foreign parent's willingness to share knowledge, and trust are *multi-level* constructs, starting at individual level and moving up to the organization level (e.g. Cohen and Levinthal, 1990; Crossan and Inkpen, 1995; Currall and Inkpen, 2002). Organizational-level construct must be grounded on the individual level. Though not yet complete, these important links have been pointed out in the results of both studies in this research. For example, the empirical study showed that organizational absorptive capacities must rest on absorptive capacities of its individual members. It was indicated in the multiple-case study that different individuals have different absorptive capacities as well as different learning intents. Future research should take into account these differences in developing an organizational-level measurement of constructs.
- Each of the studies in this research has its own weaknesses as discussed in detail in the last sections of chapter 5 and chapter 6. While some weaknesses of the empirical survey have been partly solved by the multiple-case study and vice verse, both studies share the same limitation: none of them had been conducted longditunally, i.e. over a long period of time. Learning, absorptive capacity, and especially trust are *dynamic* which change over time (e.g. Cohen and Levinthal, 1990; Lewicki and Bunker, 1995; Thuc Anh et al., 2006). These dynamics can only be observed through a longditunal research. Conducting research over a long period of time is certainly very promising.
- Finally, most of previous research have treated IJVs as homogenous and assessed them altogether without paying attention to the differences among them. It was indicated in this research that the process of knowledge acquisition from foreign parents in different types of IJVs are not always the same. Future research could further explore these differences as well as extend this research by classifying IJVs along other dimensions. For example, IJVs can be classified into young vs. mature or export vs. non-export.

Figure 7-2 provides a summary of implications for future research

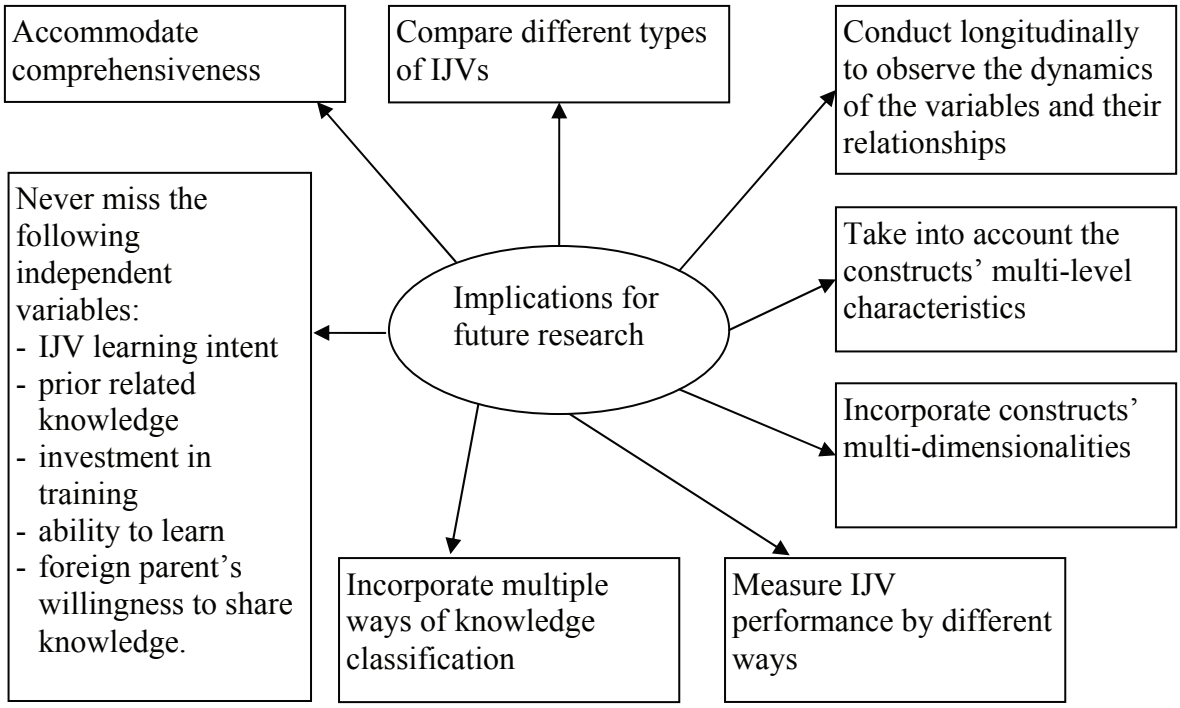


Figure 7-2: A summary of implications for future research

7.2.2 Implications for managers

Results of this research also generate some important implications for managers of IJVs as well as managers of the IJVs' parents:

Firstly, it was confirmed in this research that knowledge acquired from the foreign parent played a critical role in improving IJV performance. This finding has an important implication for IJV managers: knowledge flow from the foreign parent to the IJV should be considered as a top priority. In addition, the flow of knowledge from the parents to the IJV should also be the foreign parent's main concern since the IJV success is also the foreign parent's success.

Secondly, it is important for IJV managers to note that knowledge does not automatically flow from the foreign parent to the IJV. The establishment of an IJV often entails in it several conditions for learning/ knowledge acquisition but does not guarantee that learning / knowledge acquisition will take place. This should only be happening under certain circumstances. As found in this research, a successful knowledge acquisition depends upon the IJV learning intent, absorptive capacity, foreign parent's willingness to share knowledge, and trust between parents.

- Learning intent was found as one of the most important factors to determine IJV knowledge acquisition. To effectively exploit the foreign parent knowledge, the IJV managers must have a learning intention in mind and that intention must be concretized ideally by a careful learning agenda. At least, learning should be documented as an important objective of the IJV.
- It was found that prior related knowledge plays a very important role in knowledge acquisition. The fact that the foreign parent and the IJV are in the same business (with the same industry, the same products, the same technology, and the same type of customers) only tells a part of the story. Basic knowledge was also found very important. Thus, recruitment of employees should consider the relevance of their backgrounds. Only when basic knowledge is present, a more advanced level of knowledge could be achieved.
- Investment in training was found essential for IJV knowledge acquisition from the foreign parent. Thus, managers of IJVs should allocate proper budgets for training. This resource allocation should be considered in the context of the importance of parental knowledge to the IJV, the employees' current level of knowledge, and the IJV's available resources. Joint venture managers may find a larger return on investment for their allocation of resources to training than supposed, as training contributes directly to organizational performance beyond training's impact on learning from the foreign parent. It was also found in this research that training alone might not be as effective as when the trainee has already a certain level of experience. Thus, IJV managers should consider not only *what* formal courses to which employees should be sent but also *when* to send them to those courses in order to maximize the training benefits. Effective knowledge acquisition can be found when managers know how to find an optimal combination of formal training, on-the-job training, as well as other learning methods such as using knowledge networks and/or studying materials given by the foreign parents. Furthermore, it was pointed out in the multiple-case study that when knowledge networks are available, self-learning is critical. Thus, training should not only address specific knowledge but should also help trainees know how to learn by themselves. This has a very important implication for the foreign parent's managers in the role of 'trainers' as well as for IJV managers when they select training courses for either themselves or their employees.
- To effectively acquire knowledge from the foreign parent, the IJV must have employees with good ability to learn. Although this ability can only be fully observed over a period, it is possible to see part of it at the very beginning, when the employees are recruited. Design of a recruitment program may consider including not only an assessment of a potential

employee's current level of knowledge and skills but also a test on his /her ability to learn.

- Although joint participation was found not as important for knowledge acquisition in manufacturing IJVs as for that in service IJVs, it is still a factor that can influence learning in the absence of other factors. Thus, where appropriate, managers of IJVs may want to consider designing an appropriate organizational structure in which local employees can interact frequently with expatriates and participate equally to the IJV activities.
- The results showed that foreign parents' willingness to share knowledge to IJVs is a strong determinant of knowledge acquisition. It is important for the foreign parent to be aware of this fact in order to help their IJV succeed. Since willingness to share knowledge is subtle, the foreign parent's policy regarding knowledge transfer to the IJV should be made clear to all parent's employees so that they know the extent to which knowledge can and should be shared. Tacit knowledge shared by foreign personnel is certainly a great source of knowledge for IJVs. Similarly, from the IJV's point of view, it is important for local managers and personnel to be aware that knowledge does not automatically flow from the foreign parent to the IJV – it happens only if they know how to explore the source. Joint venture contract should explicitly address this issue. During the course of the IJV operation, the IJVs' employees must know how to ask appropriate questions.
- The negative relationship found between calculation-based trust and knowledge acquisition is quite interesting. The interpretation may be that too much calculation between two parents may not be good for IJV learning. To the extent that parents have confidence in each other, such a confidence should not rely mainly on calculations.
- It was found in this research that knowledge-based trust between parents is important for IJV knowledge acquisition, especially when other IJV characteristics such as the IJV's absorptive capacity and/or learning intent are not fully developed. This variable was also found critical for IJV performance, above and beyond the extent to which it contributes to IJV learning. Managers of parent companies should know that their trust and understanding of each other is important for the IJV, so any actions that lead to mistrust should be avoided. The IJV's personnel should also understand that they are important agents through which trust between parents could be built. Thus, knowledge-based trust should be built not only between the parents', but also between the parents' and the IJV's personnel as well as among the IJV's personnel themselves. This type of trust requires a special type of 'knowledge', which is knowledge about partners. Therefore, it is important that managers of each side spend time to learn about the other side and allow their counterparts to learn about them.

Similarly, identification-based trust between parents was also found important for IJV knowledge acquisition, especially in the absence of the IJV's learning intent and absorptive capacity. Although a complete identification is unlikely to be possible, it is good to build a certain level of identification, at least a high level of sympathy and sincere care about each other's problems and concerns.

As it is advisable to IJVs' and their parents' managers that they should build trust for the purpose of enhancing IJV learning and performance, it is important to note that doing so is not easy. Lewicki & Bunker (1995) argues that it is difficult to build yet easy to destroy trust. This is consistent with other authors' (e.g. Ring & Van De Ven, 1992; Madhok, 1995) view in that a trustful relationship does not just happen. It has to be carefully nurtured and requires a significant investment of resources – financial, temporal, and managerial. Trust is a product of intentional learning rather than a ready-made product of previous social networks (Nguyen, 2005).

A summary of implications for IJV managers is provided in **Figure 7-3**.

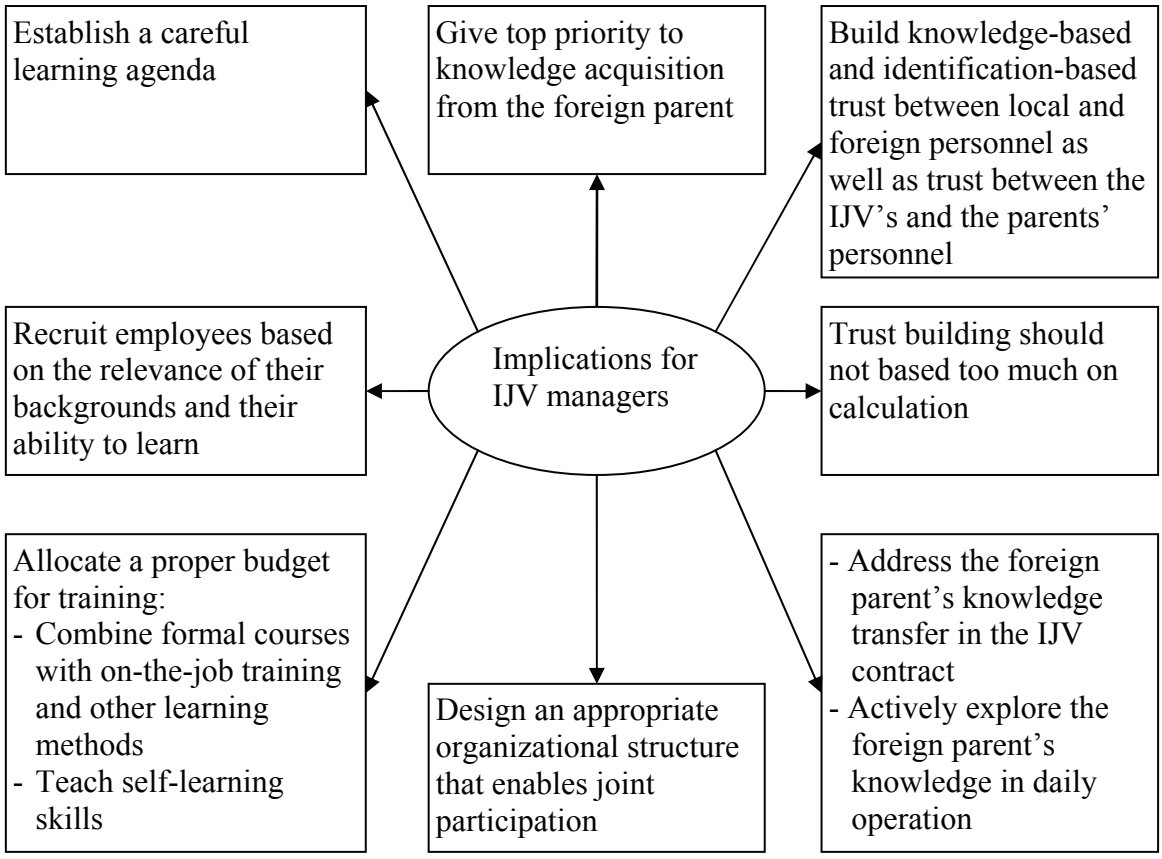


Figure 7-3: A summary of implications for IJV managers

7.2.3 Implications for policy makers

Besides suggestions for future research and for managers, this research also generates some implications for policy makers in Vietnam. The government officials should have the primary role of creating sound policies that help Vietnam develop through boosting the foreign investment economic sector.

As a developing economy, Vietnam benefits from almost all aspects of foreign investment, including local economy stimulation, provision of capital for development, job creation, export competitiveness enhancement, tax revenues contribution etc. In terms of technology and knowledge transfer, the results have not been as good as needed, however. It was indicated in this research that the Vietnamese IJVs' depth of learning may not be sufficient for them to be able to stand by themselves. A real development can only be achieved if Vietnam is knowledgeable enough to be independent and comparable to its partnering countries. Thus, more attention from Vietnamese policy makers is needed to encourage and regulate IJV learning.

- Firstly, the policy makers should encourage IJV projects that have clear learning objectives and agendas. Evaluation of an IJV's success should include a criterion on learning outcomes.
- Secondly, as basic knowledge was found very important for learning, to make Vietnam an attractive destination for FDI, the government should have policies to increase the level of basic knowledge for the whole workforce. Priorities should be given to high quality education and training that help equip the labor force with relevant knowledge about how a modern market functions. As noted by other research (UN, 2005), the availability of skilled workforce is one of the most important factors driving transnational corporations' investment decisions.
- Thirdly, since investment in training is critical for both knowledge acquisition and performance, the government should encourage IJVs to assign budgets for training, or more generally, for research and development (R&D) activities. Recently, the world has witnessed an increasing trend of R&D internationalization. To benefit from this trend, some countries have required transnational corporations to conduct R&D and technology transfer activities in their countries (UN, 2005). The extent of requirements depends on the country's bargaining position vis-à-vis foreign investors. Success stories nearby Vietnam include China and India. Both countries have been able to attract a considerable amount of foreign investment in R&D activities, at the same time imposing various mandatory requirements for market entry. The Vietnamese government should learn from these countries' policies. As Vietnam may be less

attractive in terms of market size, other less stringent methods can be applied. For example, instead of requiring foreign investors to establish an R&D unit and assign a certain percentage of revenues for R&D activities as in the case of China, Vietnam could provide tax incentives for R&D activities or reduce tariff on R&D imported equipment. There is a whole range of alternatives that the Vietnamese government can do to help Vietnam benefit from this worldwide trend.

- Fourthly, the government should also give priorities to IJV projects in which the foreign partners are actually willing to transfer important knowledge to the local counterparts. Willingness to transfer important knowledge is expressed through bringing the latest (not out-of-date as in several cases in Vietnam) technology into the IJVs, provide local partners with training, and responses to specific knowledge requirements from the local counterparts. In addition, priories may be given to countries/ investors that possess valuable knowledge. To do all these, it is important to note, however, that priorities are not just words of mouth. They should be concretized in not only policies but also implementation of such policies such as facilitating for instance the registration process for the wished investors.
- Finally, since learning and knowledge acquisition was found different for different types of IJVs, there may be a merit in classifying IJVs into different categories and give each category a separate set of priorities and evaluation criteria.

Figure 7-4 presents a summary of implications for policy makers in Vietnam.

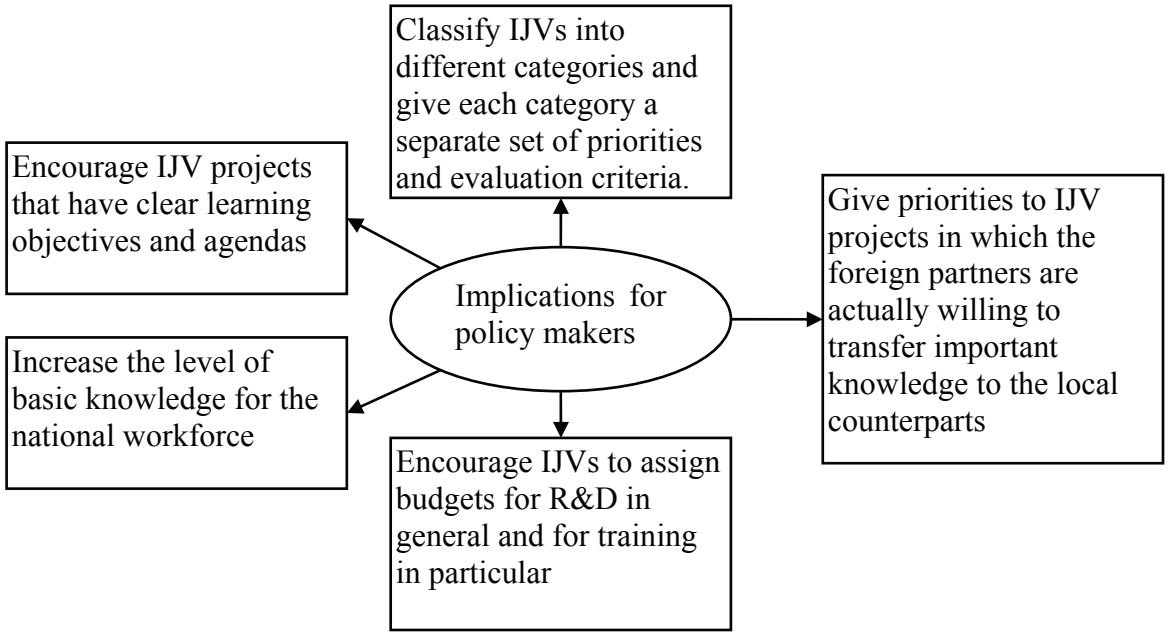


Figure 7-4: A summary of implications for policy makers

7.3 Final remarks

Doing this doctoral research has been a great experience for me, both academically and personally. In this final section of the thesis, I make a self-assessment of what has been done and discuss how the process has provided me with valuable lessons. The assessment is based on the research questions set out from the beginning:

- Research question 1: What is the status of knowledge acquisition from foreign parents by IJVs in Vietnam?
  It is often said that joint venture is all about learning, especially for those being in a less-developed country. I was very curious about how much have we learnt from our foreign partners. Therefore, this question was put first.
  The answer for this question is provided partly by the survey (chapter 5) and partly by the multiple-case study (chapter 6). While the survey gave an average aggregate figure of the level of knowledge acquired from 154 manufacturing IJVs in Vietnam, the multiple-case study described which types of knowledge were acquired and the depth of knowledge being acquired. I myself find the data provided by the multiple-case study very useful.
- Research question 2: What factors determine an IJV's knowledge acquisition from its foreign parents?
  This question is the core of the research and the answer was not simple. Guided by the knowledge-based theoretical lens (chapter 2), I went through an extensive literature review (chapter 3) to identify potential influencing factors. These possible factors were then tested against empirical evidence collected through a survey (chapter 5) and 4 case studies (chapter 6) in Vietnam. It became clear at the end that with a few exceptions, most of identified factors have significant impacts on knowledge acquisition. To me, this question was adequately addressed.
- Research question 3: How does an IJV's level of knowledge acquisition affect its performance?
  This question is at the heart of the knowledge-based thinking applying to the IJV context. At the same time, it has a very important implication for practice because if knowledge acquisition has no or little connection with performance, then the study of knowledge acquisition is worthless. It turned out that knowledge acquisition from foreign parents does play a very important role for IJV performance (chapter 5 and chapter 6).
  I expected that knowledge acquisition was not just an important factor for performance but also a special (mediating) factor through which other variables had influence on performance. However, this expectation was not met. As some other empirical research also found the same result, this is

clearly a challenge for future research. I wish there were more research in the field to test this assumption further.

- Research question 4: Is the knowledge acquisition process different in different types of IJVs?
  The question is important for practice since having identified the differences would allow managers of different types of IJVs better prepared for effective knowledge acquisition in their own company. The answer for this question is revealed in the survey and multiple-case study's results (chapter 5 and chapter 6). The two studies provided comparisons between different types of IJVs along two dimensions: the technology intensity of the industry in which the IJV operates and the type of IJV parent. IJVs that have MNC foreign parents acquire knowledge more formally through a wide variety of channels while IJVs that have small foreign parents rely mainly on personal interactions to acquire knowledge. Compared to the IJVs in low-tech industries, those in high- tech industries acquire knowledge from the foreign parents more spontaneously. In my opinion, the results would be more valuable if more dimensions were incorporated.
- Research question 5: What measures can IJVs take to improve their knowledge acquisition from foreign parents?
  This is the most important question from the practical point of view. Section 7 provides a detailed answer for it. In addition, chapter 7 also makes a number of recommendations for future research and for policy makers in Vietnam. Personally, I find the question satisfactorily addressed.

Table 7-2 presents a summary of how the thesis chapters correspond to the research questions. Answers for all research questions are interpreted on the basic of information about the Vietnamese investment environment discussed in chapter 4 – the research context.

To date, research on knowledge and learning in IJVs has gone a long way yet still not provided sufficient understanding of the phenomenon. The challenge of studying knowledge in IJVs is to tackle its complexity in a comprehensive manner that based on well-grounded evidence. My objective in doing this doctoral research is to overcome such challenge. In the research, I have built a comprehensive model linking knowledge acquisition, its determinants, and performance of IJVs and tested that model in Vietnam using evidence from a large-scale survey and a multiple-case study. In general, my objective is achieved.

Table 7-2: Thesis chapters and research questions

Research questions \ Thesis chapters		1 Intro-duction	2 Theo-retical founda-tion	3 Con-ceptual model & hypo-theses	4 The re-search context	5 Empiri-cal survey	6 Mul-tiple - case study	7 Results & impli-cations
1	Current status of knowledge acquisition				**(x)**	**x**	**x**	
2	Factors determining knowledge acquisition		**x**	**x**	**(x)**	**x**	**x**	
3	Impact of knowledge acquisition on performance		**x**	**x**	**(x)**	**x**	**x**	
4	Knowledge acquisition in different types of IJV				**(x)**	**x**	**x**	
5	Measures to improve IJV knowledge acquisition				**(x)**			**x**

The past three years has been long and not easy. However, I had never been regret for anything that I did. I have gained much more knowledge and a better relationship with related government agencies as well as a better connection with the business community in Vietnam. The relationship with my advisor was so valuable to me. In addition, through this challenging project, I have tested myself and found out that I could manage to overcome difficulties and stress. If there is anything that should have been done better, I wish I were able to do more interviews and to “live” with some of the IJVs.

Appendices

Appendix 1: Foreign direct investment to Vietnam from 1988 to 2005

Source: Foreign Investment Agency

	Number of projects				Registered capital (USD million)				Number of projects (percentage)			Registered capital (percentage)		
Year	Joint venture	100% foreign	BOT & BCC	Total	JV	100% foreign	BOT & BCC	Total	JV	100% foreign	BOT & BCC	JV	100% foreign	BOT & BCC
1988	26	4	8	**38**	149	6	180	**335**	68%	11%	21%	45%	2%	54%
1989	46	9	12	**67**	314	11	165	**490**	69%	13%	18%	64%	2%	34%
1990	78	12	17	**107**	285	22	272	**579**	73%	11%	16%	49%	4%	47%
1991	112	24	16	**152**	793	484	169	**1,446**	74%	16%	11%	55%	33%	12%
1992	127	52	18	**197**	1,052	422	642	**2,116**	64%	26%	9%	50%	20%	30%
1993	152	114	11	**277**	1,738	1,064	207	**3,009**	55%	41%	4%	58%	35%	7%
1994	193	159	21	**373**	2,784	914	165	**3,863**	52%	43%	6%	72%	24%	4%
1995	195	197	24	**416**	4,104	2,155	425	**6,685**	47%	47%	6%	61%	32%	6%
1996	170	192	8	**370**	6,457	1,549	737	**8,742**	46%	52%	2%	74%	18%	8%
1997	139	193	16	**348**	2,254	1,300	1,213	**4,767**	40%	55%	5%	47%	27%	25%
1998	83	169	33	**285**	2,486	1,017	425	**3,929**	29%	59%	12%	63%	26%	11%
1999	57	246	22	**325**	683	707	222	**1,612**	18%	76%	7%	42%	44%	14%
2000	66	303	19	**388**	101	723	1,264	**2,087**	17%	78%	5%	5%	35%	61%
2001	93	437	20	**550**	257	1,272	1,063	**2,592**	17%	79%	4%	10%	49%	41%
2002	152	626	23	**801**	246	1,316	68	**1,629**	19%	78%	3%	15%	81%	4%
2003	109	613	19	**741**	339	1,602	43	**1,984**	15%	83%	3%	17%	81%	2%
2004	114	650	22	**786**	528	1,807	72	**2,406**	15%	83%	3%	22%	75%	3%
2005	115	668	15	**798**	**531**	**2,767**	**1,689**	**4,986**	14%	84%	2%	11%	55%	34%
Total	**2,027**	**4,668**	**324**	**7,019**	**25,099**	**19,139**	**9,019**	**53,258**						

Appendix 2: The questionnaire

Dear Sir/Madam,

The National Economics University – Hanoi welcome you to participate in this survey. The objective of the survey is to understand the Process of Learning from Foreign Partners in International Joint Ventures in Vietnam.

Your participation will be extremely valuable because the findings can help improve the success of future joint ventures. Before you fill in this questionnaire, please note the followings:

- Please be assured that all information is **CONFIDENTIAL**. Your response will not be revealed to any other person within or outside of your organization, except the research team. The analysis will base on aggregate data; therefore neither you nor your firm will be identified in any publications or reports resulting from this study.
- In this questionnaire, we are requesting your responses from the perspective of (i) the joint venture and (ii) the parent firm that you have been associated with. Please note that some questions request your reflections on the Joint Venture and other questions request your reflections on the Parent Firm.
- When filling in the questionnaire, please refer to the behaviors and views of the entire firm rather than specific individuals.
- If you have any questions or require any help in completing the questionnaire, please don't hesitate to contact us at the following address:

Phan Thi Thuc Anh
Lecturer, NEU Business School
National Economics University
Giai Phong Road, Hai Ba Trung
Hanoi, Vietnam
Tel: 84-4-8690055 ext. 126 or Mobile: 091 3345 145
Fax: 84-4-8690055
Email: **ptanh@bsneu.edu.vn**

Thank you for participating!

I. General Information

Please note that in this questionnaire, ***your firm*** refers to the parent company that you have been associated with before joining the venture, ***the venture*** refers to the joint venture that you are currently working for, and ***your partner firm*** refers to your partner organization.

1) About your firm

a) What is your firm's name? .....

b) What is the country of origin of *your firm*? .....

e) In what industry does *your firm* operate? .....

b) What is your partner firm's ownership type? (Please check the appropriate box)

State owned ☐ Equitized company ☐ Others ☐

2) About your partner firm

a) What is your partner firm's name? .....

b) What is the country of origin of *your firm*? .....

e) In what industry does *your firm* operate? .....

b) What is your partner firm's ownership type? (Please check the appropriate box)

State owned ☐ Equitized company ☐ Others ☐

3) About the Joint Venture (Please fill in the corresponding box or space when appropriate):

a) What is the venture's name? .....

b) In what part of Vietnam is *the venture* located? (check all that apply)

North ☐ South ☐ Central ☐

c) Which year was *the venture* founded? .....

d) In what industry does *the venture* operate? .....

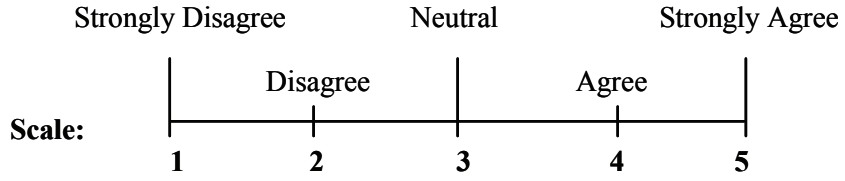
e) What is the equity split between partners (in %)?...Vietnamese…… Foreign.....

f) How many people does *the venture* employ? .....

k) What is the total invested capital of *the venture?* .....

II. Characteristics of the Joint Venture

4) Using the scale below, please circle the appropriate numbers that best describe the *characteristics of the venture*.



	Strongly disagree				***Strongly agree***
a. The venture's *technology* is highly related to that of the foreign parent business	1	2	3	4	5
b. The venture's *products* are highly related to that of the foreign parent business	1	2	3	4	5
c. The venture's *industry* is highly related to that of the foreign parent business	1	2	3	4	5
d. The venture's *customers* are highly related to that of the foreign parent business	1	2	3	4	5
e. Every year the venture commits significant resources to educating and training personnel to master the *technology* brought by the foreign parent	1	2	3	4	5
f. Every year the venture commits significant resources to educating and training personnel to master the *marketing techniques* brought by the foreign parent	1	2	3	4	5
g. Every year the venture commits significant resources to educating and training personnel to master the *managerial techniques* brought by the foreign parent	1	2	3	4	5
h. Every year the venture commits significant resources to educating and training personnel in *cross-cultural skills*	1	2	3	4	5
i. *In general*, the venture commits significant resources for education and training personnel	1	2	3	4	5

5) Using the same scale, please circle appropriate numbers that best describe the *general ability of the venture's personnel*.

	Strongly disagree				***Strongly agree***
a. The venture's personnel are able to assimilate *new technological expertise* brought by the foreign parent	1	2	3	4	5
b. The venture's personnel are able to assimilate *new marketing techniques* brought by the foreign parent	1	2	3	4	5
c. The venture's personnel are able to assimilate *new managerial techniques* brought by the foreign parent	1	2	3	4	5
d. *In general*, the venture's personnel are able to assimilate new knowledge and skills brought by the foreign parent	1	2	3	4	5
e. The venture's personnel are able to apply *new technological expertise* learned from the foreign parent to daily activities	1	2	3	4	5

f. The venture's personnel are <u>able to apply</u> *new marketing techniques* learned from the foreign parent to daily activities	1	2	3	4	5
g. The venture's personnel are <u>able to apply</u> *new managerial techniques* learned from the foreign parent to daily activities	1	2	3	4	5
h. *In general*, the venture's personnel are <u>able to apply</u> knowledge and skills learned from the foreign parent to daily activities	1	2	3	4	5

6) Please circle appropriate numbers that best describe the *nature of the working relationship between <u>local personnel</u> and <u>expatriates</u>* in the venture.

	Strongly disagree				***Strongly agree***
a. Vietnamese personnel are <u>fully informed</u> about activities in the areas they work	1	2	3	4	5
b. Vietnamese personnel are expected to <u>contribute their ideas</u> when they work with the foreign counterparts	1	2	3	4	5
c. Vietnamese personnel are <u>assigned to activities of equal importance</u> when they work with the foreign counterparts	1	2	3	4	5
d. Vietnamese personnel have <u>equal opportunities to make decisions</u> when they work with the foreign counterparts	1	2	3	4	5
e. <u>In general,</u> Vietnamese personnel are deeply involved in shared activities between partners	1	2	3	4	5

III. Relationship Between Parent Firms

7) Using the same scale, please circle the appropriate numbers indicating to what extent the statements below apply to *the relationship between your firm and your partner's firm*.

	Strongly disagree				***Strongly agree***
a. If our partner does not fulfill the contracts with us, our partner could seriously damage their reputation in the market/industry	1	2	3	4	5
b. Our partner is dependent on us in developing their business	1	2	3	4	5
c. If our partner breaks their contracts with us, our partner will have to pay a significant legal fine	1	2	3	4	5
d. In general, our partner benefits from having relationships with us	1	2	3	4	5
e. We know that employees in our partner firm generally tell the truth in negotiations	1	2	3	4	5
f. We know that our partner generally meets its negotiated obligations	1	2	3	4	5
g. In our opinion, our partner is reliable	1	2	3	4	5
h. We know that in general our partner does not try to mislead us	1	2	3	4	5
i. In our opinion, our partner's capability is good enough to fulfill the contracts with us	1	2	3	4	5
j. We believe that our partner keeps our best interests in mind	1	2	3	4	5

k. We would feel a sense of betrayal if our partner leaves us only for economic reasons	1	2	3	4	5
l. We have shared values/ beliefs with our partner's representatives	1	2	3	4	5
m Contact people of our partner care about our problems, feelings, and concerns	1	2	3	4	5
n. We share business related information with the partner	1	2	3	4	5
o. We share with the contact person(s) of our partners some of our own personal information (e.g., background, personal life)	1	2	3	4	5
p. We feel free to share with these contact person(s) our ideas, feelings, hopes, or problems that may not directly relate to business	1	2	3	4	5

IV. Joint Venture Learning and Performance

8) Please circle appropriate numbers describing *the importance of learning from the foreign parent to the joint venture.*

	Strongly disagree				***Strongly agree***
a. Learning from the foreign parent is an important objective of the joint venture	1	2	3	4	5
b. The venture has a strong desire, determination and will to learn from its foreign parent	1	2	3	4	5
c. The foreign parent is very willing to share their knowledge and understanding with the venture	1	2	3	4	5

9) Please circle appropriate numbers that best describe the *level of knowledge that the venture has acquired from its foreign parent.*

	Strongly disagree				***Strongly agree***
a. The venture has learned a great deal of *technological expertise* from the foreign parent	1	2	3	4	5
b. The venture has learned a great deal of *manufacturing processes* from the foreign parent	1	2	3	4	5
c. The venture has learned a great deal of *product development expertise* from the foreign parent	1	2	3	4	5
d. The venture has learned a great deal of *managerial expertise* from the foreign parent	1	2	3	4	5
e. The venture has learned a great deal of *marketing expertise* from the foreign parent	1	2	3	4	5
f. The venture has learned a great deal about *foreign culture and tastes* from the foreign parent	1	2	3	4	5
g. *In general*, the venture has learned a great deal from the foreign parent	1	2	3	4	5

10) Please circle appropriate numbers describing the joint venture *performance.*

		Strongly disagree				***Strongly agree***
a.	Last year, the venture achieved its target *sales volume*	1	2	3	4	5
b.	Last year, the venture achieved its target *market share*	1	2	3	4	5
c.	Last year, the venture achieved its target *profits*	1	2	3	4	5
d.	Last year, the venture achieved its *planned goals*	1	2	3	4	5
e.	There is a trend in increasing *sales* of the venture over the last three years	1	2	3	4	5
f.	There is a trend in increasing *market share* of the venture over the last three years	1	2	3	4	5
g.	There is a trend in increasing *profits* of the venture over the last three years	1	2	3	4	5
h.	The venture has achieved great performance *overall*	1	2	3	4	5

V. Other information

11) About yourself .....

a) Your name .....

b) Your title .....

c) Your nationality.....

d) How many years of international experience do *you* have?.....

e) How many years had you been associated with *your firm* before joining the venture?.....

f) How many years have you been associated with *this venture*? .....

COMMENTS

A. Please share with us the main advantages and challenges facing the joint venture in the process of learning from the foreign parent firm?

Advantages .....

.....

.....

.....

Challenges.....

.....

.....

.....

.....

If you would like a summary of the results, please check this box ..... ☐

Thank you very much for participating!

Appendix 3: Regression outputs for model 1

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.168[a]	.028	-.005	.65148

a. Predictors: (Constant), VN_Parent Ownership, Equity Split (local), Technology intensity, Size_Number of Employees (log), IJV age

b. Dependent Variable: Knowledge Acquisition

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.785	5	.357	.841	.523[a]
	Residual	61.542	145	.424		
	Total	63.327	150			

a. Predictors: (Constant), VN_Parent Ownership, Equity Split (local), Technology intensity, Size_Number of Employees (log), IJV age

b. Dependent Variable: Knowledge Acquisition

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.701	.290		12.763	.000		
	IJV age	.013	.015	.091	.860	.391	.598	1.673
	Equity Split (local)	-.001	.004	-.032	-.378	.706	.919	1.088
	Size_Number of Employees (log)	.055	.044	.117	1.234	.219	.739	1.353
	Technology intensity	.038	.111	.029	.339	.735	.946	1.057
	VN_Parent Ownership	-.255	.143	-.195	-1.780	.077	.560	1.787

a. Dependent Variable: Knowledge Acquisition

Appendix 4: Regression outputs for model 2

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.498[a]	.248	.217	.57488

a. Predictors: (Constant), Learning Intent, Equity Split (local), Technology intensity, IJV age, Size_Number of Employees (log), VN_Parent Ownership

b. Dependent Variable: Knowledge Acquisition

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.736	6	2.623	7.936	.000[a]
	Residual	47.591	144	.330		
	Total	63.327	150			

a. Predictors: (Constant), Learning Intent, Equity Split (local), Technology intensity, IJV age, Size_Number of Employees (log), VN_Parent Ownership

b. Dependent Variable: Knowledge Acquisition

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.885	.379		4.976	.000		
	IJV age	.011	.013	.078	.835	.405	.597	1.674
	Equity Split (local)	-.001	.003	-.031	-.408	.684	.919	1.088
	Size_Number of Employees (log)	.080	.039	.172	2.038	.043	.732	1.367
	Technology intensity	.060	.098	.046	.615	.540	.944	1.059
	VN_Parent Ownership	-.314	.127	-.240	-2.477	.014	.557	1.796
	Learning Intent	.436	.067	.473	6.497	.000	.986	1.014

a. Dependent Variable: Knowledge Acquisition

Appendix 5: Regression outputs for model 3

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.765[a]	.585	.558	.43322

a. Predictors: (Constant), Joint Participation, IJV age, Equity Split (local), Technology intensity, Relatedness, Size_Number of Employees (log), Investment in Training, VN_Parent Ownership, Ability to learn

b. Dependent Variable: Knowledge Acquisition

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	37.045	9	4.116	21.931	.000[a]
	Residual	26.275	140	.188		
	Total	63.320	149			

a. Predictors: (Constant), Joint Participation, IJV age, Equity Split (local), Technology intensity, Relatedness, Size_Number of Employees (log), Investment in Training, VN_Parent Ownership, Ability to learn

b. Dependent Variable: Knowledge Acquisition

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.382	.348		1.100	.273		
	IJV age	.002	.010	.015	.207	.836	.595	1.681
	Equity Split (local)	.001	.003	.022	.388	.698	.883	1.133
	Size_Number of Employees (log)	.036	.030	.076	1.191	.236	.724	1.381
	Technology intensity	.041	.075	.031	.545	.587	.930	1.076
	VN_Parent Ownership	-.230	.097	-.175	-2.367	.019	.545	1.834
	Relatedness	.247	.050	.284	4.965	.000	.909	1.100
	Investment in Training	.181	.057	.244	3.183	.002	.503	1.986
	Ability to learn	.404	.079	.417	5.107	.000	.444	2.250
	Joint Participation	.053	.075	.054	.716	.475	.527	1.898

a. Dependent Variable: Knowledge Acquisition

Appendix 6: Regression outputs for model 4

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.606[a]	.368	.341	.52737

a. Predictors: (Constant), FP's willingness to share, Technology intensity, Equity Split (local), IJV age, Size_ Number of Employees (log), VN_Parent Ownership

b. Dependent Variable: Knowledge Acquisition

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.278	6	3.880	13.950	.000[a]
	Residual	40.049	144	.278		
	Total	63.327	150			

a. Predictors: (Constant), FP's willingness to share, Technology intensity, Equity Split (local), IJV age, Size_Number of Employees (log), VN_Parent Ownership

b. Dependent Variable: Knowledge Acquisition

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.412	.351		4.029	.000		
	IJV age	.019	.012	.136	1.581	.116	.596	1.679
	Equity Split (local)	.002	.003	.034	.495	.621	.908	1.101
	Size_Number of Employees (log)	.054	.036	.117	1.518	.131	.739	1.353
	Technology intensity	.016	.090	.012	.174	.862	.945	1.058
	VN_Parent Ownership	-.139	.117	-.106	-1.188	.237	.553	1.810
	FP's willingness to share	.539	.061	.596	8.791	.000	.955	1.047

a. Dependent Variable: Knowledge Acquisition

Appendix 7: Regression outputs for model 5

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.595[a]	.354	.318	.53671

a. Predictors: (Constant), Emotional-based Trust, Size_ Number of Employees (log), Calculus-based Trust, Equity Split (local), Technology intensity, IJV age, Knowledge-based Trust, VN_Parent Ownership

b. Dependent Variable: Knowledge Acquisition

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.423	8	2.803	9.730	.000[a]
	Residual	40.904	142	.288		
	Total	63.327	150			

a. Predictors: (Constant), Emotional-based Trust, Size_Number of Employees (log), Calculus-based Trust, Equity Split (local), Technology intensity, IJV age, Knowledge-based Trust, VN_Parent Ownership

b. Dependent Variable: Knowledge Acquisition

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.977	.460		2.123	.035		
	IJV age	.036	.013	.255	2.784	.006	.543	1.842
	Equity Split (local)	.001	.003	.032	.452	.652	.896	1.116
	IJV Size (log)	.033	.037	.071	.893	.373	.723	1.384
	Technology intensity	.067	.095	.051	.701	.484	.875	1.143
	VN_Parent Ownership	-.268	.118	-.204	-2.267	.025	.559	1.788
	Calculation-based Trust	-.151	.087	-.135	-1.733	.085	.749	1.335
	Knowledge-based Trust	.566	.093	.491	6.069	.000	.696	1.437
	Identification-based Trust	.238	.082	.216	2.885	.005	.808	1.237

a. Dependent Variable: Knowledge Acquisition

Appendix 8: Regression outputs for model 6

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.818[a]	.669	.634	.39430

a. Predictors: (Constant), Emotional-based Trust, Relatedness, Size_Number of Employees (log), Technology intensity, Calculus-based Trust, Learning Intent, Equity Split (local), Investment in Training, IJV age, FP's willingness to share, Joint Participation, VN_ Parent Ownership, Knowledge-based Trust, Ability to learn

b. Dependent Variable: Knowledge Acquisition

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.332	14	3.024	19.448	.000[a]
	Residual	20.989	135	.155		
	Total	63.320	149			

a. Predictors: (Constant), Emotional-based Trust, Relatedness, Size_Number of Employees (log), Technology intensity, Calculus-based Trust, Learning Intent, Equity Split (local), Investment in Training, IJV age, FP's willingness to share, Joint Participation, VN_Parent Ownership, Knowledge-based Trust, Ability to learn

b. Dependent Variable: Knowledge Acquisition

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-.557	.404		-1.380	.170		
	IJV age	.013	.010	.089	1.279	.203	.509	1.965
	Equity Split (local)	.002	.002	.046	.863	.390	.858	1.165
	IJV Size (log)	.042	.028	.089	1.498	.136	.695	1.439
	Technology intensity	.044	.071	.034	.628	.531	.862	1.160
	VN_Parent Ownership	-.224	.090	-.170	-2.489	.014	.527	1.896
	Learning Intent	.123	.053	.133	2.298	.023	.737	1.356
	Relatedness	.212	.047	.243	4.514	.000	.845	1.183
	Investment in Training	.099	.055	.133	1.803	.074	.452	2.213
	Ability to learn	.311	.074	.321	4.197	.000	.420	2.382
	Joint Participation	.003	.071	.003	.038	.970	.485	2.061
	FP's willingness to share	.188	.060	.206	3.154	.002	.575	1.740
	Calculation-based Trust	-.045	.067	-.040	-.665	.507	.687	1.456
	Knowledge-based Trust	.103	.084	.090	1.233	.220	.465	2.149
	Identification-based Trust	.088	.065	.080	1.351	.179	.696	1.436

a. Dependent Variable: Knowledge Acquisition

Appendix 9: Regression outputs for model 7

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.349[a]	.121	.090	.81203

a. Predictors: (Constant), VN_Parent Ownership, Equity Split (local), Technology intensity, Size_Number of Employees (log), IJV age

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.766	5	2.553	3.872	.003[a]
	Residual	92.315	140	.659		
	Total	105.082	145			

a. Predictors: (Constant), VN_Parent Ownership, Equity Split (local), Technology intensity, Size_Number of Employees (log), IJV age

b. Dependent Variable: Performance

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.632	.385		6.838	.000		
	IJV age	.015	.020	.077	.761	.448	.609	1.641
	Equity Split (local)	-.001	.005	-.025	-.306	.760	.916	1.091
	Size_Number of Employees (log)	.182	.057	.291	3.208	.002	.764	1.308
	Technology intensity	.025	.140	.014	.175	.861	.956	1.046
	VN_Parent Ownership	.040	.183	.023	.220	.826	.560	1.785

a. Dependent Variable: Performance

Appendix 10: Regression outputs for model 8

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.441[a]	.195	.160	.78026

a. Predictors: (Constant), Knowledge Acquisition, Technology intensity, Equity Split (local), IJV age, Size_ Number of Employees (log), VN_Parent Ownership

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.459	6	3.410	5.601	.000[a]
	Residual	84.623	139	.609		
	Total	105.082	145			

a. Predictors: (Constant), Knowledge Acquisition, Technology intensity, Equity Split (local), IJV age, Size_Number of Employees (log), VN_Parent Ownership

b. Dependent Variable: Performance

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	1.308	.525		2.491	.014		
	IJV age	.008	.019	.042	.429	.669	.603	1.658
	Equity Split (local)	-.001	.005	-.021	-.264	.792	.916	1.092
	Size_Number of Employees (log)	.163	.055	.260	2.966	.004	.757	1.322
	Technology intensity	.022	.135	.013	.165	.870	.956	1.046
	VN_Parent Ownership	.153	.178	.089	.857	.393	.542	1.844
	Knowledge Acquisition	.361	.102	.276	3.555	.001	.964	1.037

a. Dependent Variable: Performance

Appendix 11: Regression outputs for model 9

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.574[a]	.329	.257	.72599

a. Predictors: (Constant), Emotional-based Trust, Relatedness, VN_Parent Ownership, Calculus-based Trust, Equity Split (local), Learning Intent, Technology intensity, Investment in Training, Size_Number of Employees (log), FP's willingness to share, Joint Participation, IJV age, Knowledge-based Trust, Ability to learn

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.612	14	2.401	4.555	.000[a]
	Residual	68.517	130	.527		
	Total	102.129	144			

a. Predictors: (Constant), Emotional-based Trust, Relatedness, VN_Parent Ownership, Calculus-based Trust, Equity Split (local), Learning Intent, Technology intensity, Investment in Training, Size_Number of Employees (log), FP's willingness to share, Joint Participation, IJV age, Knowledge-based Trust, Ability to learn

b. Dependent Variable: Performance

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.278	.756		.367	.714		
	IJV age	.015	.019	.077	.770	.443	.521	1.920
	Equity Split (local)	-.001	.004	-.018	-.238	.812	.863	1.159
	Size_Number of Employees (log)	.148	.053	.237	2.803	.006	.724	1.382
	Technology intensity	.087	.132	.051	.654	.514	.859	1.164
	VN_Parent Ownership	.073	.169	.043	.431	.667	.529	1.892
	Learning Intent	.080	.099	.068	.812	.419	.744	1.344
	Relatedness	.010	.088	.009	.116	.908	.852	1.174
	Investment in Training	.182	.101	.192	1.793	.075	.451	2.220
	Ability to learn	.060	.137	.048	.440	.661	.427	2.343
	Joint Participation	.138	.131	.108	1.050	.295	.491	2.038
	FP's willingness to share	-.115	.111	-.097	-1.038	.301	.587	1.705
	Calculus-based Trust	-.147	.128	-.100	-1.148	.253	.679	1.472
	Knowledge-based Trust	.333	.155	.222	2.148	.034	.483	2.072
	Emotional-based Trust	.106	.124	.073	.855	.394	.703	1.422

a. Dependent Variable: Performance

Appendix 12: Regression outputs for model 10

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.578[a]	.334	.256	.72627

a. Predictors: (Constant), Emotional-based Trust, Relatedness, VN_Parent Ownership, Calculus-based Trust, Equity Split (local), Learning Intent, Technology intensity, Investment in Training, Size_Number of Employees (log), FP's willingness to share, Joint Participation, IJV age, Knowledge-based Trust, Ability to learn, Knowledge Acquisition

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.085	15	2.272	4.308	.000[a]
	Residual	68.044	129	.527		
	Total	102.129	144			

a. Predictors: (Constant), Emotional-based Trust, Relatedness, VN_Parent Ownership, Calculus-based Trust, Equity Split (local), Learning Intent, Technology intensity, Investment in Training, Size_Number of Employees (log), FP's willingness to share, Joint Participation, IJV age, Knowledge-based Trust, Ability to learn, Knowledge Acquisition

b. Dependent Variable: Performance

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.206	.760		.271	.787		
	IJV age	.016	.019	.084	.840	.403	.518	1.931
	Equity Split (local)	-.001	.004	-.013	-.171	.865	.858	1.165
	IJV Size (log)	.153	.053	.244	2.879	.005	.717	1.394
	Technology intensity	.090	.132	.053	.679	.499	.859	1.165
	VN_Parent Ownership	.039	.173	.023	.228	.820	.506	1.975
	Knowledge Acquisition	-.153	.162	-.119	-.947	.345	.329	3.040
	Learning Intent	.098	.101	.082	.968	.335	.720	1.388
	Relatedness	.044	.095	.039	.462	.645	.732	1.366
	Investment in Training	.198	.103	.209	1.925	.056	.438	2.282
	Ability to learn	.108	.146	.086	.736	.463	.377	2.651
	Joint Participation	.140	.131	.109	1.062	.290	.491	2.038
	FP's willingness to share	-.086	.116	-.072	-.742	.459	.544	1.840
	Calculation-based Trust	-.152	.128	-.103	-1.184	.239	.678	1.475
	Knowledge-based Trust	.349	.156	.233	2.237	.027	.477	2.097
	Identification-based Trust	.116	.124	.080	.933	.352	.698	1.432

a. Dependent Variable: Performance

Appendix 13: The case study protocol

Overview: The aim of the case study is to get in-depth knowledge about IJV knowledge acquisition process. Specifically, to see what each construct/ variable means in practice and whether proposed relationships between IJV knowledge acquisition, its antecedents and consequence are shaped by each case's particular context.

Procedure: Read about the company before making interviews. *Sources:* websites, newspapers, magazines etc.

Interviewing

Ask for additional information if possible.

Interview questions:

A. Background information of your joint venture

1. Please briefly describe yourself (*Probe:* your background? How did you get involved or recruited by the firm? For how long have you been with the company? – Were you told to reach some targets? If so, what were those targets? How was your performance measured/ evaluated?)
2. Please briefly describe the history of the company (*Probe:* when was the company found? why did you/ your side decide to enter into the IJV (what were the objectives of your side when entering into the JV contract? How and in what ways the objectives were specified? What challenges did the company face? Please describe the stages of development that the company has gone through? The number of employees – foreign and Vietnamese – over time?)
3. Please briefly describe JV partners? (*Probe:* partners' names, background, contribution to the JV, their objectives when entering into the IJV. Did Vietnamese and foreign parents have a lot of related knowledge (about industry, customers, technology, products, shared the same skills etc.)
4. In your opinion, what are the IJV's competitive advantages? What are its development directions in the next five years?

B. Learning from the Foreign Partner

1. Was learning from the foreign parent an objective of the IJV? What was the learning target? How was it expressed? Please give detailed information (such as what kinds of learning/ knowledge were objectives, to what extent does your side consider the learning targets were achieved? How was it measured/ evaluated?)

2. What has the Joint venture learnt from its foreign parent? (*Probe:* what types of knowledge have the IJV acquired? Among that knowledge, which ones were the most important? Which ones were the most difficult to learn?)
3. Knowledge transfer mechanism: What kinds of assistance does the foreign parent give to the IJVs? (*Probe:*
    a. What kinds of training? How many courses? In which subjects? What were the training locations? Who were the trainers? How and when the training was conducted?
    b. Does the foreign parent provide on-the-job training? How was that conducted?
    c. Does the foreign parent provide written materials (for IJV employees to study themselves)? If so, which materials?
    d. How about foreign parent visiting? How many times, how many mandays, for what kinds of people, and how were that conducted?
    e. Does the IJV have a job-rotation policy? If so, how was it done?
    f. Besides those described above, what mechanism through which the IJV can learn from the foreign parent? How was that conducted?
    g. In all of these, who was the initiator, who financed? The parent, the IJV, or the Vietnamese party in the IJV? Does the Vietnamese government have any influence on this learning process?
    h. In your opinion, which mechanism is the most effective? Which mechanism is the most suitable for each kind of knowledge (depending on question B1)?
4. The learning dynamics: When each types of knowledge was acquired? When each types of knowledge transfer mechanism was used?
5. Do you feel that the foreign personnel were willing to share all they know? Please give stories or examples.
6. How was the task division between Vietnamese and foreign employees done in the IJV? Did Vietnamese employees work closely and contribute equally in the decision making process?
7. How do you evaluate the capacity to learn of the IJV employees (esp. the Vietnamese employees)? Were they open to learn? How much did they recognize the importance of parent' knowledge? How do you evaluate their ability to receive knowledge transferred by the foreign parent? Their ability to apply the learnt knowledge into the daily activities? Any differences between their ability to assimilate knowledge and their ability to apply knowledge?

8. How do you evaluate the sense of initiatives/ proactive in learning of the IJV employees?
9. Do you feel that the IJV can stand on its own without assistance from the foreign parents?
10. Do you feel that the Vietnamese party in the IJV can manage the IJV without any help from foreign expatriates?
11. What are the advantages and challenges facing the IJV in learning from its foreign parent?
12. What do you think about the relationship between learning and performance in your IJV? If the IJV could not learn from its foreign parent, what impacts does it have on the IJV's performance?
13. Do you have any other comments related to learning from the foreign parents?

C. Experience in working with the foreign partner

1. Describe your experience in working with the foreign parent? (*Probe*: your opinions on their capability? attitude? behaviors? how did you feel each time you worked with them? was there any notable, either positive or negative, incident in working with them? Did they provide what they promised to do?)
2. Describe your experience in working with the foreign personnel in the IJV? (*Probe*: your opinions on their capability? attitude? behaviors? how did you feel each time you worked with them? was there any notable, either positive or negative, incident in working with them? Did they provide what they promised to do?)
3. How relationships were built between the IJV and the foreign parents? Between the foreigners and the Vietnamese within the IJV? Do you have a lot of social contacts with them besides works?
4. Do you have any other comments related to relationships between partners?

Reminders: These are standard questions. For each interview, these questions should be adjusted according to the interviewee's position, background, as well as the time available.

Guide for the report: Using content analysis procedures with NVivo.

Bibliography

Aaker, D. A., V. Kurmar, and G. S. Day (1998). *Marketing research*. New York: Wiley.

Alavi, M. and D. Leidner (2001). Knowledge Management and Knowledge Management Systems: Conceptual Foundations and Research Issues, *MIS Quarterly*, 25/1, 107-36.

Almeida, P. (1996). Knowledge Sourcing by Foreign Multinationals: Patent Citation Analysis in the U.S. Semiconductor Industry, *Strategic Management Journal*, 17/Winter Special Issue, 155-65.

Alreck, L. P. and B. R. Settle (1995). *The Survey Research Handbook*. Second ed. Chicago: Irwin.

Anderson, J. R. (1981). *Cognitive skills and their acquisition*. Hillsdale, NJ: Erlbaum.

Argote, L. (1999). *Organizational Learning: Creating, Retaining, and Transferring Knowledge*. Boston: Kluwer Academic.

Argyris, C. and D. A. Schön (1978). *Organizational Learning: A theory of action perspective*, *Reading*. MA: Addison-Wesley.

Arino, A. (2003). Measures of Strategic Alliance Performance: An Analysis of Construct Validity, *Journal of International Business Studies*, 34/1, 66-79.

Badaracco, J. L. (1991). *The Knowledge Link*. Boston, MA: Harvard Business School Press.

Barber, B. (1983). *The logic and limits of trust*. New Brunswick, NJ: Rutgers University Press.

Barney, J. and M. Hansen (1994). Trustworthiness as a source of competitive advantage, *Strategic Management Journal*, 15/Winter special issue, 175-90.

Barney, J. B. (1991). Firm resources and sustained competitive advantage, *Journal of Management*, 17/1, 99-120.

Baughn, C. C., J. G. Denekamp, J. H. Stevens and R. N. Osborn (1997). Protecting intellectual capital in international alliances, *Journal of World Business*, 32/2, 103 – 17.

Beeby, M. and C. Booth (2000). Networks and inter-organizational learning: a critical review, *The Learning Organization*, 2/7, 75-88.

Berdrow, I. and H. W. Lane (2003). International joint ventures: Creating value through successful knowledge management, *Journal of World Business*, 38/1, 15-30.

Bhattacharya, R., T. M. Devinney, and M. M. Pillutla (1998). A formal model of trust based on outcomes, *Academy of Management Review*, 23/3, 459-72.

Blackler, F. (1995). Knowledge, knowledge work and organizations: An overview and interpretation, *Organization Studies*, 16/6, 1021 - 46.

Blois, K. J. (1999). Trust in Business to Business Relationships. An Evaluation of its Status, *Journal of Management Studies*, 36/2, 197-215.

Boateng, A. and K. W. Glaister (2002). Performance of international joint ventures: evidence for West Africa, *International Business Review*, 11/5, 523-41.

Boon, S. D. and J. G. Holmes (1991). The dynamics of interpersonal trust: Resolving uncertainty in face of risk. In R. A. Hinde and J. Groebel (eds.), *Cooperation and prosocial behaviour*. Cambridge, UK: Cambridge University Press, 190-211.

Bourdieu, P. (1990). *The logic of practice*. Cambridge. England: Polity Press.

Brown, J. S. and P. Duguid (1991). Organizational learning and communities of practice: Toward a unified view of working, learning, and innovation, *Organization Science*, 2/1, 40-57.

Cao, J. S. (2000). *Knowledge, Transferability Cost and Transaction cost in MNC: A Reconsideration of Internalization Theory*. Ph.D. dissertation, The Chinese University of Hong Kong, Hong Kong - China.

CIA (2006). *The world fact book*: Central Intelligence Agency. http://www.cia.gov/cia/publications/factbook/geos/vm.html.

Cohen, W. M. and D. A. Levinthal (1990). Absorptive capacity: A new perspective on learning and innovation, *Administrative Science Quarterly*, 35/1, 128-52.

Coleman, J. S. (1990). *The foundations of social theory*. Cambridge, MA: Harvard University Press.

Conner, K. R. and C. K. Prahalad (1996). A Resource-based Theory of the Firm: Knowledge Versus. Opportunism, *Organization Science*, 7/5, 477-501.

Contractor, F. J. (1980). The composition of licensing fees and arrangements as a function of economic development of technology recipient nations, *Journal of International Business Studies*, 11/3, 46-62.

Cook, S. D. N. and J. S. Brown (1999). Bridging Epistemologies: The Generative Dance Between Organizational Knowledge and Organizational Knowing, *Organization Science*, 10/4, 381-400.

Creed, W. E. D. and R. E. Miles (1996). Trust in Organizations. A Conceptual Framework linking organizational forms, managerial philosophies, and the opportunity costs of controls. In R. M. Kramer and T. R. Tyler (eds.), *Trust in Organizations*. Thousand Oaks/ London / New Delhi: Sage publications, 16-38.

Crossan, M. and A. C. Inkpen (1995). The subtle art of learning through alliances, *Business Quarterly*, 60/2, 68-78.

Cummings, L. L. and P. Bromiley (1996). The organization trust inventory (OTI): Development and validation. In R. M. Kramer and T. R. Tyler (eds.), *Trust in organizations: Frontier of Theory and Research*. Thousand Oaks, London, New Delhi: Sage Publications, 302-30.

Currall, S. C. and A. C. Inkpen (2002). A Multilevel Approach to Trust in Joint Ventures, *Journal of International Business Studies*, 33/3, 749-495.

Cyert, R. M. and J. G. March (1963). *A Behavioral Theory of the Firm*. Englewood Cliffs, NJ: Prentice-Hall.

Das, T. K. and B. S. Teng (1998). Between trust and control: Developing confidence in partner cooperation in alliances, *Academy of Management Review*, 23/3, 491-512.

Das, T. K. and B. S. Teng (2001). Trust, Control, and Risk in Strategic Alliances: An Integrated Framework, *Organization Studies*, 22/3, 251-83.

Davenport, T. and L. Prusak (1998). *Working Knowledge*. Boston: Harvard Business School Press.

Decision 189/2000/QĐ/BTC (2000). Decision189/2000/QĐ/BTC dated 24th November 2000 of the Ministry of Finance about issuing the rent rates for land, water surface and sea surface applied for foreign investment in Vietnam.

Denzin, N. K. (1970). *The research Act: A theoretical Introduction to Sociological Methods*. Chicago: Aldine.

Dess, G. G. and R. B. J. Robinson (1984). Measuring Organizational Performance in the Absence of Objective Measures: The Case of the Privately-Held Firm and Conglomerate Business Unit, *Strategic Management Journal*, 5/3, 265-73.

Dhanaraj, C., M. A. Lyles, H. K. Steensma, and L. Tihanyi (2004). Managing Tacit and Explicit Knowledge Transfer in IJVs: the Role of Relational Embeddedness and the Impact on Performance, *Journal of International Business Studies*, 35/5, 428-42.

Dixon, N. (1994). *The organizational learning cycle*. New York: McGraw-Hill.

Doney, P. M. and J. P. Cannon (1997). An examination of the nature of trust in buyer-seller relationships, *Journal of Marketing*, 61/2, 35-51.

Eisenhardt, M. K. and M. F. Santos (2002). Knowledge-Based View: A New Theory of Strategy? In A. Pettigrew, H. Thomas, and R. Whittington (eds.), *Handbook of Strategy and Management*. London: Sage Publications, 139 - 64.

Eriksson, K. and S. Chetty (2003). The effect of experience and absorptive capacity on foreign market knowledge, *International Business Review*, 12/6, 673-95.

Fforde, A. and S. Vylder (1996). *From Plan to Market: the Economic Transition in Vietnam*. Bouder, Oxford: Westview Press.

FIA (2006). *Internal documents*. Hanoi: Foreign Investment Agency, Ministry of Planning and Investment of Vietnam.

Fiol, C. M. and M. A. Lyles (1985). Organizational learning, *Academy of Management Review*, 10/4, 803-13.

Flick, U. (1992). Triangulation revisited: Strategy of validation or alternative? *Journal for the Theory of Social Behaviour*, 22/2, 175-98.

Foss, N. J. (1996). Knowledge-based approaches to the theory of the firm: Some critical Comments, *Organization Science*, 7/5, 470-76.

Foss, N. J. (1996). More critical comments on Knowledge-based theories of the firm, *Organization Science*, 7/5, 519-23.

Gabarro, J. J. (1978). The development of trust, influence, and expectations. In A. G. Athos and J. J. Gabarro (eds.), *Interpersonal behaviour: Communication and understanding in relationships*. Englewood Cliffs, NJ: Prentice-Hall, 290-303.

Galunic, D. C. and S. Rodan (1998). Resources Recombination in the Firm: Knowledge Structures and the Potential for Schumpeterian Innovation, *Strategic Management Journal*, 19/12, 1193-201.

Garud, R. (1997). On the distinction between know-how, know-why and know-what in technological systems. In A. S. Huff and J. P. Walsh (eds.), *Advances in Strategic Management*. Greenwich, CT: JAI Press Inc., 81-101.

Garud, R. and M. A. Rappa (1994). A socio-cognitive mode of technology innovation: The case of cochlear implants, *Organization Science*, 5/3, 344-62.

Geringer, J. M. and L. Hebert (1989). Control And Performance Of International Joint Ventures, *Journal of International Business Studies*, 20/2, 235 - 54.

Geringer, J. M. and L. Hebert (1991). Measuring Performance of International Joint Ventures, *Journal of International Business Studies*, 22/2, 249 - 63.

Gold, A. H., A. Malhotra, and A. H. Segars (2001). Knowledge management: An organizational capabilities perspective, *Journal of Management Information Systems*, 18/1, 185-214.

Gorman, M. E. (2002). Types of Knowledge and Their Roles in Technology Transfer, *Journal of Technology Transfer*, 27/3, 219-31.

Government Decree No.24-2000-ND-CP (2000). Government Decree No.24-2000-ND-CP dated 31st July 2000, providing Detailed Regulations on the Implementation of the Law on Foreign Investment in Vietnam.

Government Decree No.27/2003/ND-CP (2003). Government Decree No. 27/2003/ND-CP dated 19th March 2003 on Amendments of and Additions to a Number of Articles of the Government Decree No. 24-2000-ND-CP dated 31st July 2000, Vietnam.

Government Decree No.45/1998/ND-CP (1998). Government Decree No.45/1998/ND-CP on Technology tranfer dated 1st July 1998, Vietnam.

Government Decision No.386-TTg (1997). Government Decision on Delegation of Authority for Issuance of Investment Licences to Foreign Direct Investment Projects dated 7th June 1997, Vietnam.

Grandori, A. (2001). Neither Hierarchy nor Identity: Knowledge-Governance Mechanisms and the Theory of the Firm, *Journal of Management and Governance*, 5/3, 381-99.

Grandori, A. and B. Kogut (2002). Dialogue on organization and knowledge, *Organization Science*, 13/3, 224-31.

Grant, R. M. (1997). The Knowledge-Based View of the Firm: Implications for Management Practice, *Long Range Planning*, 30/3, 450-54.

Grant, R. M. (1996a). Prospering in Dynamically-competitive Environments: Organizational Capability as Knowledge Integration, *Organization Science*, 7/4, 375-87.

Grant, R. M. (1996b). Toward a Knowledge-Based Theory of the Firm, *Strategic Management Journal*, 17/Winter Special Issue, 109-22.

Grant, R. M. and C. Baden-Fuller (1995). *A Knowledge-based Theory of Inter-firm Collaboration*, *Academy of Management Best Papers Proceedings*.

Grayson, C. J. and C. O. Dell (1998). Mining Your Hidden Resources, *Across the Board*, 35/4, 23-28.

Gujarati, D. N. (1995). *Basic Econometrics*. 3rd ed. New York: McGraw-Hill Inc.

Gupta, A. K. and V. Govindarajan (2000). Knowledge flows within multinational corporations, *Strategic Management Journal*, 21/4, 473-96.

Hagen, J. M. and S. Choe (1998). Trust in Japanese interfirm relations: Institutional sanctions matter, *The Academy of Management Review*, 23/3, 589-600.

Hair, J. F. J., R. E. Anderson, R. L. Tatham, and W. C. Black (1998). *Multivariate Data analysis*. 5th ed. New Jersey: Prentice-Hall International Inc.

Hamel, G. (1991). Competition for Competence and Inter-partner Learning within IJVs, *Strategic Management Journal*, 12/Summer Special Issue, 83–103.

Hamel, G., Y. Doz, and C. K. Prahalad (1989). Collaborate With Your Competitors-and Win, *Harvard Business Review*, 67/1, 133-39.

Hanvanich, S., M. Richards, S. R. Miller, and S. T. Cavusgil (2005). Technology and the effects of cultural differences and task relatedness: A study of shareholder value creation in domestic and international joint ventures, *International Business Review*, 14/1, 397-414.

Hargadon, A. and A. Fanelli (2002). Action and possibility: Reconciling dual perspectives of knowledge in organizations, *Organization Science*, 13/3, 290-302.

Harvie, C. and V. H. Tran (1997). *Vietnam's reforms and economic growth*. New York: St Martin's Press Inc.

Hedlund, G. (1994). A model of knowledge management and the N-form Corporation, *Strategic Management Journal*, 15/Summer Special Issue, 73-90.

Henderson, R. M. and K. B. Clark (1990). Architectural innovation: The reconfiguration of existing product technologies and the failure of established firms, *Administrative Science Quarterly*, 35/1, 9-30.

Hladik, K. J. (1988). R&D and international joint ventures. In F. Contractor and P. Lorange (eds.), *Cooperative Strategies in International Business*. D.C.: Heath Lexington Mass, 187-203.

Huber, G. P. (1991). Organizational learning: The contributing processes and the literature, *Organization Science*, 2/1, 88-115.

ILO (2005). *Project to Combat Trafficking in Children and Woment*. http://www.ilo.org/public/english/region/asro/bangkok/child/trafficking/whereework-vietnam.htm.

Inkpen, A. C. (1996). Creating knowledge through collaboration, *California Management Review*, 39/1, 123-40.

Inkpen, A. C. (1998). Learning and knowledge acquisition through International Strategic Alliances, *The Academy of Management Executive*, 12/4, 69-80.

Inkpen, A. C. (2000). Learning through joint ventures: A framework of knowledge acquisition, *Journal of Management Studies*, 37/7, 1019-43.

Inkpen, A. C. and P. W. Beamish (1997). Knowledge, bargaining power and international joint venture instability, *Academy of Management Review*, 22/1, 177-202.

Inkpen, A. C. and S. C. Currall (2004). The Coevolution of Trust, Control, and Learning in Joint Ventures, *Organization Science*, 15/5, 586-99.

Inkpen, A. C. and S. C. Currall (1997). International joint venture trust: An empirical examination. In P. W. Beamish and J. P. Killing (eds.),

Cooperative strategies: North American perspectives. San Francisco: The New Lexington Press, 308-34.

Inkpen, A. C. and S. C. Currall (1998). The nature, antecedents and consequences of joint venture trust, *Journal of International Management*, 4/1, 1-20.

Jarillo, J. and H. Stevenson (1991). Co-operative strategies - the payoffs and the pitfalls, *Long Range Planning*, 24/1, 64-70.

JETRO (2006). *Investment - Related Cost Comparison in Major Cities and Regions in Asia*. Presented in Vietnam Business Forum, Ho Chi Minh City, 5th June 2006.

JICA (2003). *Nghiên cứu về chiến lược xúc tiến FDI tại nước Cộng hòa xã hội chủ nghĩa Việt nam (Study on FDI promotion strategy in the Socialist Republic of Vietnam)*. Hanoi: Japanese International Cooperation Agency.

Johnson, J. L., J. B. Cullen, T. Sakano, and H. Takenouchi (1996). Setting the Stage for Trust and Strategic Integration in Japanese-U.S. Cooperative Alliances, *Journal of International Business Studies*, 27/5, 981-1004.

Kakabadse, N. K., A. Kakabadse, and A. Kouzmin (2003). Reviewing the knowledge management literature: Towards a toxonomy, *Journal of Knowledge Management*, 7/4, 75-91.

Kim, L. (2001). Absorptive capacity, Co-operation, and Knowledge Creation: Samsung's Leapfrogging in Semiconducter's. In I. Nonaka and T. Nishiguchi (eds.), *Knowledge Emergence - Social, Technical, and Evolutionary Dimensions of Knowledge Creation*. Oxford: Oxford University Press, 270-86.

Kogut, B. (1988). Joint ventures: Theoretical and Empirical Perspectives, *Strategic Management Journal*, 9/4, 319-32.

Kogut, B. (1989). The stability of joint ventures: reciprocity and competitive rivalry, *Journal of Industrial Economics*, 38/2, 183 -98.

Kogut, B. and U. Zander (1993). Knowledge of the Firm and the Evolutionary Theory of the Multinational Corporation, *Journal of International Business Studies*, 24/4, 625-45.

Kogut, B. and U. Zander (1992). Knowledge of the Firm, Combinative Capabilities, and the Replication of Technology, *Organization Science*, 3/3, 383-97.

Kogut, B. and U. Zander (2003). A memoir and reflection: Knowledge and an Evolutionary Theory of the Multinational firm 10 years later, *Journal of International Business Studies*, 34, 505-15.

Kogut, B. and U. Zander (1996). What Firms Do? Coordination, Identity, and Learning, *Organization Science*, 7/5, 502-23.

Kostova, T. (1999). Transnational transfer of strategic organizational practices: A contextual perspective, *Academy of Management Review*, 24/2, 308-24.

Lan, P. (2006). *Tỉnh quyết định dự án FDI quy mô dưới 300 tỷ đồng (Provincial People's committee make decisions on FDI projects with invested capital of less than VND 300 billions)*. http://vnexpress.net/Vietnam/Kinh-doanh/2006/07/3B9EC694/.

Lane, P. J. and M. Lubatkin (1998). Relative Absorptive Capacity and Interorganizational Learning, *Strategic Management Journal*, 19/5, 461-77.

Lane, P. J., J. E. Salk, and M. A. Lyles (2001). Absorptive capacity, learning, and performance in international joint ventures, *Strategic Management Journal*, 22/12, 1139-61.

Law on amendments of some articles of Law on Import- Export Duties dated 5th July 1993, Vietnam.

Law on amendments of some articles of Law on Import- Export Duties No. 04/1998/QH10 dated 20th May 1998, Vietnam.

Law on Enterprises No. 60-2005-QH11 dated 29th November 2005, Vietnam.

Law on Foreign Investment in Vietnam dated 12th November 1996 and the Law on Amendments of and Additions to a Number of Articles of the Law on Foreign Investment in Vietnam No. 18-2000-QH10 dated 16th May 2000.

Law on Investment No. 59-2005-QH11 dated 29th November 2005, Vietnam.

Laws on Export and Import Duties dated 26th December 1991, Vietnam.

Leonard-Barton, D. (1992). Core Capabilities and Core Rigidities: A Paradox in Managing New Product Development, *Strategic Management Journal*, 13/3, 111-25.

Lewicki, R. J. and B. B. Bunker (1995). Trust in relationships: A model of trust development and decline. In B. B. Bunker and J. Z. Rubin (eds.), *Conflict, cooperation and justice*. San Francisco: Jossey-Bass, 133-73.

Lyles, M. A. (1988). Learning among joint venture sophisticated firms, *Management International Review*, 28/Special issue, 85-98.

Lyles, M. A. and J. Q. Barden (2000). Trust, Controls, Knowledge Acquisition from the Foreign Parents and Performance in Vietnamese IJVs. *Submission to the International Management Division of the AOM meeting*.

Lyles, M. A. and C. Drahanaj (2004). Learning Across Borders: Organizational Learning and International Alliances. In V. Mahnke and T. Pedersen (eds.), *Knowledge Flows, Governance and the Multinational Enterprise*. New York: Palgrave Macmillan, 81-107.

Lyles, M. A. and J. E. Salk (1996). Knowledge acquisition from foreign parents in international joint ventures: An empirical examination in the Hungarian context, *Journal of International Business Studies*, 29/2, 154-74.

Madhok, A. (1995). Revisiting multinational firms' tolerance for joint ventures, *Journal of International Business Studies*, 26/1, 117-37.

Makino, S. and A. Inkpen (2003). Knowledge Seeking FDI and Learning across Borders. In M. Easterby-Smith and M. A. Lyles (eds.), *The Blackwell Handbook of Organizational Learning and Knowledge Management*. USA: Blackwell Publishing, 233-52.

March, J. G. (1991). Exploration and exploitation in organizational learning, *Organization Science*, 2/1, 71-87.

Martin, X. and R. Salomon (2003). Knowledge transfer capacity and its implications for the theory of the multinational corporation, *Journal of International Business Studies*, 34/4, 356-73.

Maturana, H. R. and F. J. Varela (1998). *The Tree of Knowledge: the Biological Roots of Human Understandings*. Revised ed. Boston, MA: Shambhala Publications.

Matusik, S. F. and C. W. Hill (1998). The utilization of contingent work, knowledge creation, and competitive advantage, *The Academy of Management Review*, 23/4, 680-97.

Mayer, R. C., J. H. D. Davis, and F. D. Schoorman (1995). An integrative model of organizational trust, *Academy of Management Review*, 20/3, 709-34.

McAllister, D. J. (1995). Affect- and cognition-based trust as foundations for interpersonal cooperation in organizations., *Academy of Management Journal*, 38/1, 24-59.

McEvily, B., V. Perrone, and A. Zaheer (2003). Trust as an organizing principle, *Organization Science*, 14/1, 91-105.

McKnight, D. H., L. L. Cummings, and N. L. Chervany (1998). Initial trust formation in new organizational relationships, *Academy of Management Review*, 23/3, 473-90.

Merchant, H. and D. Schendel (2000). How do international joint ventures create shareholder value? *Strategic Management Journal*, 21/7, 723-37.

Meyer, K. E., Y. T. T. Tran, and H. V. Nguyen (2006). Doing business in Vietnam, *Thunderbird International Business Review*, 28/2, 263-90.

Minbaeva, D., T. Pedersen, I. Bjorkman, C. Fey, and H. Park (2003). MNC knowledge transfer, subsidiary absorptive capacity, and HRM, *Journal of International Business Studies*, 34/6, 586-99.

Mowery, D. C., J. Oxley, and B. Silverman (1996). Strategic Alliances and Interfirm Knowledge Transfer, *Strategic Management Journal*, 17/Winter Special Issue, 77-91.

Moxon, R. W., T. W. Roehl, and J. F. Truitt (1988). International cooperative ventures in the commercial aircraft industry: Gains, sure, but what's my share? In F. Contractor and P. Lorange (eds.), *Cooperative Strategies in International Business*. D.C.: Heath: Lexington Mass, 255-77.

MPI (2006). *Internal Documents*. Hanoi: Ministry of Planning and Investment of Vietnam.

MPI/DSI (2001). *Science, Technology and Industry Strategy for Vietnam*. Paper prepared in assistance for the Socio-Economic Development Strategy for Vietnam 2001- 2010. Hanoi: Ministry of Planning and Investment of Vietnam.

MPI Report No.2557/BKH-DTNN (2005). Ministry of Planning and Investment's Report No. 2557/BKH-DTNN dated 19th April 2005 on Implementation Progress of Solutions for Improvement of Investment Environment in Vietnam.

Nahapiet, J. and S. Goshal (1998). Social Capital, Intellectual Capital and Organizational Advantage, *Academy of Management Review*, 23/2, 242-66.

Nelson, R. R. and S. G. Winter (1982). *An Evolutionary Theory of Economic Change*. Cambridge, MA: Belknap Press.

Neuman, W. L. (2000). *Social research methods: quantitative and qualitative approaches*. 4th ed. Boston: Allyn and Bacon.

Newburry, W. and Y. Zeira (2003). Autonomy and effectiveness of equity international joint ventures (EIJV's): An analysis based on EIJV's in Hungary and Britain, *International Business Review*, 12/4, 395-419.

Nguyen, K. Q. (2001). Foreign Direct Investment and Economic Development: Lessons From Vietnam. Paper presented at *Conference on Vietnam in 2001: Prospects for Economic and Social Progress*, The Kenney Auditorium, Washington, D.C. 16th - 17th November 2000.

Nguyen, T. D. (2006). *On Comprehensive Renovation, Rapid and Sustainable Development, and the Drive to Bring Our Country out of Lesser-developed Status*. Report of the Government on the 5-year 2006-2010 Socio-Economic Development Plan: Presented to Vietnam Business Forum, Hanoi, 5th June 2006.

Nguyen, T. V. (2005). Learning to trust: a study of interfirm trust dynamics in Vietnam, *Journal of World Business*, 40/2, 203-21.

Nickerson, J. A. and T. R. Zenger (2003). A Knowledge-Based Theory of the Firm--The Problem-Solving Perspective, *Organization Science*, 15/6, 617-32.

Nonaka, I. (1994). A dynamic theory of organizational knowledge creation, *Organization Science*, 5/1, 14-37.

Nonaka, I. and H. Takeuchi (1995). *The Knowledge-Creating Company*. New York: Oxford University Press.

Nonaka, I., H. Takeuchi, and K. Umemoto (1996). A theory of organizational knowledge creation, *International Journal of Technology Management*, 11/7-8, 833-45.

Nonaka, I. and R. Toyama (2003). The knowledge-creating theory revisited: knowledge creation as a synthesizing process, *Knowledge Management Research & Practice*, 1/1, 2-10.

Nooteboom, B., H. Berger, and N. G. Noorderhaven (1997). Effects of trust and governance on relational risk, *Academy of Management Journal*, 40/2, 308-38.

OECD (2005). *OECD Science, Technology and Industry Scoreboard 2005*. http://www.oecd.org/sti/scoreboard.

Orlikowski, W. J. (2002). Knowing in practice: Enacting a collective capability in distributed organizing, *Organization Science*, 13/3, 249-73.

Parkhe, A. (1993). Partner nationality and the structure-performance relationships in strategic alliances, *Organization Science*, 4/2, 301-14.

PhilipFox (2005). *Vietnam laws*. http://www.vietnamlaws.com.

Phong, V. (2004). *Xoá bỏ cơ chế hai giá trong lĩnh vực điện - Eliminating the double-price system in Electricity*. http://vnexpress.net/Vietnam/Kinh-doanh/2004/12/3B9DA012/: VN Express.

Podsakoff, P. and D. W. Organ (1986). Self-reports in organizational research: Problems and prospects, *Journal of Management*, 12/4, 531-44.

Polanyi, M. (1958). *Personal Knowledge: Towards a Post-Critical Philosophy*. London: The University of Chicago Press.

Polanyi, M. (1966). *The Tacit Dimension*. New York: Anchor Day Books.

Powell, W. W., K. W. Koput, and L. S. Doerr. (1996). Interorganizational collaboration and the locus of innovation: Networks of learning in biotechnology, *Administrative Science Quarterly*, 41/1, 116-45.

Prahalad, C. K. and G. Hamel (1990). The Core Competence of the Corporation, *Harvard Business Review*, 68/3, 79-91.

Quinn, J. B. (1992). The Intelligent Enterprise a New Paradigm, *The Executive*, 6/4, 48-64.

Quinn, J. B., P. Anderson, and S. Finkelstein (1996). Managing professional intellect: making the most of the best, *Harvard Business Review*, 74/2, 71-80.

Rempel, J. K., J. G. Holmes, and M. P. Zanna (1985). Trust in close relationships, *Journal of Personality and Social Psychology*, 49/1, 95-112.

Ring, P. S. and A. H. Van De Ven (1992). Structuring Cooperative Relationships Between Organizations, *Strategic Management Journal*, 483-98.

Romme, G. and R. Dillon (1997). Mapping the landscape of organizational learning, *European Management Journal*, 15/1, 68-78.

Rousseau, D. M., S. B. Sitkin, R. S. Burt, and C. Camerer (1998). Not so different after all: A cross-discipline view of trust, *Academy of Management Review*, 23/3, 393-404.

Ryle, G. (1949). *The concept of mind*. London: Hutchinson.

Shapiro, S. P. (1987). The social control of impersonal trust, *American Journal of Sociology*, 93/3, 623-58.

Shapiro, S. P., B. H. Sheppard, and L. Cheraskin (1992). Business on a handshake, *Negotiation Journal*, 8/3, 365-77.

Shenkar, O. and J. Li (1999). Knowledge search in international cooperative ventures, *Organization Science*, 10/2, 134 - 43.

Shrivastava, P. (1986). Learning structures for top management, *Human Systems Management*, 6/1, 35-44.

Si, S. X. and G. D. Bruton (1999). Knowledge transfer in international joint ventures in transitional economy: The China experience, *The Academy of Management Executive*, 13/1, 83-90.

Simon, H. A. (1991). Bounded rationality and organizational learning, *Organization Science*, 2/1, 125-34.

Simonin, B. L. (1999). Ambiguity and the Process of Knowledge Transfer in Strategic Alliances, *Strategic Management Journal*, 20/7, 595-623.

Simonin, B. L. (2004). An Empirical Investigation of the Process of Knowledge Transfer in International Strategic Alliances, *Journal of International Business Studies*, 35/5, 407-27.

Spender, J.-C. (1992). Limits to Learning from the West: How Western Management Advice May Prove Limited in Eastern Europe, *The International Executive*, 34/5, 389-414.

Spender, J. C. (1996). Making Knowledge the Basic of Dynamic Theory of the Firm, *Strategic Management Journal*, 17/Winter Special Issue, 45-62.

Steensma, H. K. and M. A. Lyles (2000). Explaining IJV survival in a transitional economy through social exchange and knowledge-based perspectives, *Strategic Management Journal*, 21/8, 831-51.

Szulanski, G. (1996). Exploring Internal Stickiness: Impediments to the Transfer of Best Practice within the Firm, *Strategic Management Journal*, 17/Winter Special Issue, 27–43.

Tabachnick, B. G. and L. S. Fidell (1983). *Using Multivariate Statistics*. New York: Harper & Row.

Thuc Anh, P. T., C. Baughn, N. T. M. Hang, and K. Neupet (2006). Knowledge acquisition from foreign parents in International Joint Ventures: An empirical study in Vietnam, *International Business Review*, 15/5, 463 - 87.

Thuy, N. (2005). *TP HCM hứa hẹn nhiều ưu đãi cho đầu tư nước ngoài - Ho Chi Minh City promises to give preferential treatment to foreign investors*. http://vnexpress.net/Vietnam/Kinh-doanh/2005/06/3B9DF960/: VN Express.

Thuyet, P. V. (1999). Vietnam's Legal Framework for Foreign Investment, *The International Lawyer*, 33/3, 765–800.

Transparency International (2005). *Transparency International Corruption Perceptions Index 2004*. http://www.transparency.org/cpi/2004/cpi2004.en.html#cpi2004.

Tripsas, M. (1997). Surviving Radical Technological Change through Dynamic Capability: Evidence form the Typesetter Industry, *Industrial and Corporate Change*, 6/2, 341-77.

Tsai, W. (2001). Knowledge transfer in intraorganizational networks: Effects of network position and absorptive capacity on business unit innovation and performance, *Academy of Management Journal*, 44/5, 996 - 1014.

Tsai, W. and S. Ghoshal (1998). Social capital and value creation: The role of intrafirm networks, *Academy of Management Journal*, 41/4, 464-72.

Tsoukas, H. (1996). The firm as a distributed knowledge system: a constructionist approach, *Strategic Management Journal*, 17/Winter special issue, 11-26.

UN (2005). World Investment Report - Transnational Corporations and the Internationalization of R&D. Paper presented at *United Nations Conference on Trade and Development*, New York and Geneva, 2005.

UNDP (2005). *Basic Facts about Viet Nam*. http://www.undp.org.vn/undp/fact/base.htm.

VBF (2005a). *Annual Vietnam Business Forum Meeting Summary dated 29th November 2005*. http://www.vbf.org.vn/papers.asp.

VBF (2005b). *Report from VBF to the Annual Consultative Group Meeting dated 2nd December 2005*. http://www.vbf.org.vn/papers.asp.

Vietnamese Communists Party (1986). *The VIth Party Congress's Document*. http://www.cpv.org.vn/dcsvn.

Vu Khoan (2005). Foreign Investment in Vietnam amid International Integration. Paper presented at *Vietnam Cooperation and Investment Forum*, Hanoi.

Weick, K. E. and K. H. Roberts (1993). Collective Minds in Organizations: Heedful Interrelating on Flight Decks, *Administrative Science Quarterly*, 38/3, 357-81.

Wernerfelt, B. (1984). A Resource-based View of the Firm, *Strategic Management Journal*, 5/2, 171-80.

Williamson, O. E. (1993). Calculativeness, Trust and Economic Organization, *Journal of Law and Economics*, 34, 453-502.

Winter, S. G. (1987). Knowledge and competence as strategic assets. In D. J. Teece (eds.), *The Competitive Challenge: Strategies for industrial Innovation and Renewal*. MA: Ballinger Cambridge, 159-83.

Wolff, P. (1999). *Vietnam - The Incomplete Transformation*. London. Portland: Frank Cass.

Yin, R. K. (1989). *Case Study Research: Design and Methods*. Newbury Park: Sage publications.

Zaheer, A., B. McEvily, and V. Perrone (1998). Does Trust Matter? Exploring the Effects of Interorganizational and Interpersonal Trust on Performance, *Organization Science*, 9/2, 141-59.

Zaheer, S. and A. Zaheer (2006). Trust across borders, *Journal of International Business Studies*, 37/1, 21-29.

Zahra, S. A. and G. George (2002). Absorptive Capacity: a Review, Reconceptualization, and Extension, *Academy of Management Review*, 27/2, 185-203.

Zeira, Y., O. Yeheskel, and W. Newburry (2004). A comparative analysis of performance assessment; international joint venture managers versus regional headquarters managers, *International Journal of Human Resource Management*, 15/4-5, 670-87.

Zucker, L. G. (1986). Production of trust: Institutional sources of economic structure 1840-1920. In B. M. Staw and L. L. Cummings (eds.), *Research in organizational behavior*. Greenwich, CT: JAI Press, 53-111.